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HOUSING ELEMENT

City of Milpitas

✓ 12-66

Adopted by the
City Council on
June 5, 1990

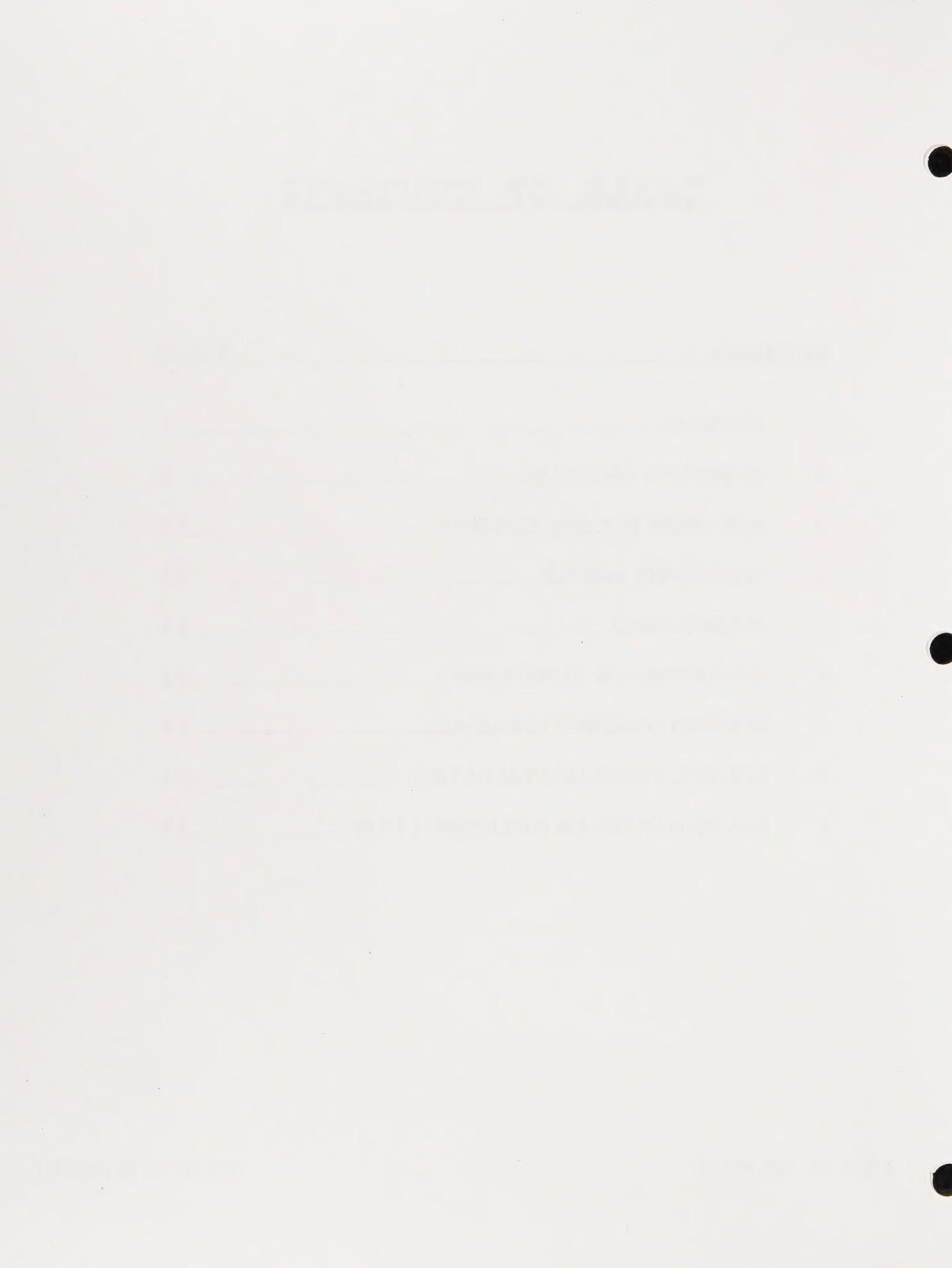
Recommended For Approval by the
Planning Commission on
May 9, 1990





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SUMMARY

SECTION 1

SUMMARY

The City of Milpitas Housing Element is prepared in conformance with California Government Code sections 65580-89 and contains the following subject areas:

- 1) The evaluation of local housing needs and an analysis of constraints affecting the ability to the marketplace to meet these needs.
- 2) The identification of community housing goals, objectives and policies.
- 3) An evaluation of the community's performance in achieving the goals established for the past five year period.
- 4) The description of a new five year housing program to meet the identified housing needs and goals.

Area-Wide Housing Context

Santa Clara County has suffered from acute housing problems the last two decades. Between 1970 & 1980, the purchase price of a new home increased fourfold. Since 1980, new home prices have reached new highs, growing 55 percent by 1988. Indications are that escalating sales prices may have slowed down after a 21.5 percent increase during the first eight months of 1989.

Santa Clara County is experiencing a demand for housing units that is greater than the current housing stock and increase in housing supply. This demand for housing is due to:

- 1) High employment growth resulting in more jobs than housing for the workers,
- 2) Demographic changes marked by an increase in the number of people in their thirties and forties and declining household size,
- 3) Speculation by investors hoping to reap a quick profit,
- 4) Lending practices especially adapted to present day high prices and interest rates,
- 5) A construction rate sensitive to interest rates and land availability and
- 6) Population growth through immigration.

New home costs have not only been dramatically influenced by growing consumer demand but also by limited development sites and rising costs for building materials, labor and financing. Not surprisingly, as home values increase the ability to afford a home has decreased. Incomes have not kept pace with home prices so a wide gap between the two has developed.

The number of households who can afford to buy and maintain a home has grown smaller each year. Those lower income households who spend as much as 33 percent or more of their income to pay for shelter do so by cutting corners for necessities elsewhere in their budget d(i.e., food, transportation, medical care, etc.). Higher income households can typically exceed the 33 percent guideline without straining their ability to pay for other essentials.

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A household's purchase of a first home is a formidable task. They may be able to afford the monthly payments, but lack the large down payment necessary with current home prices (i.e., a \$41,280 20 percent down payment for a \$206,400 median priced home in 1988). A variety of creative financing techniques have developed to help consumers purchase a home (e.g., shared equity arrangements and adjustable rate mortgages). Trends indicate that future homeowners may be only the affluent or those who bought a home prior to 1980.

As owning a home becomes more unaffordable the demand for rental housing has increased. A low apartment construction rate (except for the years 1985 and 1986) has contributed to continued low vacancy rates and increasing rents. Families, particularly those headed by a single, female, seniors and the disabled, are especially affected by difficulties in locating affordable rental housing.

Community Profile

In January 1989, Milpitas ranked sixth in population in the County with 46,435 residents. Regional studies (ABAG, 1989) project that Milpitas will grow by another 6,765 residents to 53,200 in 1995. In 1980 Milpitas had the youngest population in the County with a median age of 26.34 and the largest average household size in 1989 with 3.18 persons per household.

A racially and ethnically diverse populace resides in Milpitas. It is estimated that Milpitas' minority population of 44 percent is larger than the County's 37 percent. According to the 1980 census, the median income for the City was estimated to be slightly above the County median income. According to ABAG (Projections 1990) employment opportunities will have grown by 136 percent from 1980 to 1990 and will continue to rise another 49 percent to 56,240 jobs by the year 2000.

Milpitas is a predominantly single family community. In 1989 70 percent of the 14,360 dwelling units were single family homes, 26 percent multi-family and 4 percent mobile homes. Residential densities on the valley floor range from 3 to 40 dwelling units per acre. Milpitas' housing stock is relatively young with 64 percent of all homes less than 20 years old. Owner-occupied homes have and continue to be less expensive than the rest of the County. Out of 23 zones in Santa Clara County in 1988, Milpitas ranked seventeenth in median housing values.

As with the rest of the County, though, the Milpitas housing market has been marked by multiple soaring price increases. During 1988 and the first nine months of 1989, existing home prices rose 29 percent and 30 percent, respectively. Rents, too, have increased, though not as dramatically: between 1980 and 1989 median rents for a two bedroom apartment more than doubled. In contrast to owner-occupied home purchase prices, rents in Milpitas are typically higher than the County average.

Development of housing in the hillside, limited by environmental factors and scenic concerns, will not significantly contribute to Milpitas' housing stock. At buildout about 800 units can be expected in the hillside.

Housing Need

The City has identified approximately 275 dwelling units that are in substandard condition and in need of rehabilitation. About half of the units are estimated to be occupied by lower income households. In 1980 it was determined that 16 percent of owners and 31 percent of renters paid more than 35 percent of their income for housing.

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The Housing Assistance Plan for 1988-91 has identified seniors, disabled, renting families and racial and ethnic minorities as special needs in Milpitas. The Association of Bay Area Governments (ABAG), in accordance with State law, estimated Milpitas' fair share of the regional housing need as follows:

MILPITAS FAIR SHARE OF REGIONAL HOUSING NEED

EXISTING NEED* 1988	PROJECTED NEED* 1988-1995	PROJECTED NEED* WITH ALTERNATIVE ZONING 1988-1995
55	2,000	5,638

NEEDED		
SINGLE FAMILY UNITS	MULTI-FAMILY UNITS	MOBILE HOME UNITS
4,341	1,128	169

NEEDED OWNER OCCUPIED UNITS	NEEDED RENTER OCCUPIED UNITS
4,059	1,579

PROJECTED HOUSING NEED BY INCOME CATEGORY			
VERY LOW	LOW	MODERATE	ABOVE MODERATE
958	846	1,240	2,594
17%	15%	22%	46%

**"Need": Net addition to available stock. Projected Need includes existing need.

**Household Income categories are based on percentage in relation to regional median income:

Very Low Income: up to 50% of the regional median income

Low Income: between 51 and 80%

Moderate Income: between 81 and 120%

Above Moderate Income: 121% and above

Source: Association of Bay Area Governments, Housing Needs Determinations, January 1989

In reporting the region's housing need, ABAG stated that "Local housing elements, and local programs adopted by local governments, are not required to "meet" the identified housing need. But State law does require a sustained and serious attempt to address housing needs." In addition, State legislation governing the content of the Housing Element indicates that the total housing need identified by the community, including the City's share of the regional housing need, may exceed the locality's available resources and abilities within the context of the General Plan. In such a case, State law notes that

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quantified goals do not have to match the identified housing needs.¹ However, the City must determine the housing that can be realistically met over a five-year period. The Milpitas housing programs, with quantified goals, intended to meet local housing needs, are discussed in the final section "Housing Program Implementation," of the Housing Element.

No counts of homeless persons in Milpitas are available nor are there any known areas or facilities where the homeless congregate or seek shelter on a regular basis. However, the Milpitas Housing Service Center estimates that it will usually assist one to two individuals or families each week--especially during the cold weather season (September to March)--with locating short or long term shelter. Approximately half of these requests for assistance come from single mothers, generally with younger children. Ten to fifteen percent of the requests are also from families with two adults and the remainder from adults.

There are no emergency shelters in town though the Housing Service Center will assist by referring individuals to other service agencies. Some agencies are private local churches who may coordinate reduced rates at local motels or assist in other ways. Public agencies and facilities, such as the Fair Housing Consortium and the Emergency Housing Consortium, are located outside Milpitas but have received, and will continue to receive, funding from the Urban County of which Milpitas is a member. (Also refer to Section 9 "Housing Program Implementation" for more detail regarding the Urban County).

In 1987, a transitional housing facility for women suffering from abusive spouses, was established in Milpitas by Community Housing Developers, a nonprofit housing corporation. With 19 apartments, approximately 38 families have received long term shelter and assistance under the WATCH program (Women and Their Children Housing).

The Sunnyhills Apartments at 1724 Sunnyhills Dr., were built under the Federal Section 236 program and currently provide 171 dwelling units for lower income residents. In August 1988 the Section 8 Housing Assistance Payments Program contract was renewed with the U.S. Department of Housing and Urban Development for a five year period. The contract will expire in July 1993.

Governmental Constraints

However, most (if not all) existing governmental constraints are valid responses to public concerns, such as:

- a) Furthering community planning objectives, such as the allocation of appropriate densities, preservation of environmental quality or provision of adequate recreational or public facilities.
- b) Providing time for adequate staff review and analysis and for public comment on proposed developments.
- c) Conforming with State law regulating planning and environmental review procedures.
- d) Budgeting/financial concerns which affect staffing levels or may through review and processing of permits.

¹ Government Code Section 65583 (b)

SUMMARY

It should also be noted that even if an agency were to effectively eliminate those regulations and procedures that act to constrain the development of housing opportunities, this would not necessarily result in the provision of more affordable housing.

The City of Milpitas has been a leader among South Bay communities in providing housing affordable to all segments of the population. This suggests that Milpitas has, through its development controls and approval processes, minimal governmental barriers to the provision of wider housing choice. Measures Milpitas has taken to reduce constraints include: 1) increasing the maximum allowable density from 20 to 40 dwelling units per gross acre, 2) promoting the planned unit development process to allow flexibility in project design, 3) providing consistency between the General Plan and Zoning Ordinance and 4) providing a streamlined application process.

Governmental constraints to increasing the supply of affordable housing do exist in Milpitas. While not all can be eliminated by City action (such as the delays required by State law for environmental review and public notice of hearings), many could be mitigated. However, as noted above, invariably the elimination of any constraining regulation or procedure will have "costs" (financial or otherwise) associated with it. Often those costs may be of more significance to a community than the indirect benefit of removing a (perhaps minor) barrier to affordable housing. The most significant governmental constraints existing in Milpitas are 1) maximum density of 40 dwelling units per acre, 2) development review process to insure quality project design and meet state requirements and insure safe construction, 3) water and sewer limitations that the City will be increasing soon, 4) park fees to provide open space for City residents and 5) regional traffic congestion.

Housing Concerns and Goals

The City of Milpitas during its early and middle development phases (mid-1950's through the early 1970s) was a leader among the south bay area communities in providing housing, both assisted and unassisted, that was affordable to low- and moderate-income households. In accordance with the family-oriented character that has been established

The City is presently entering into its last residential growth stage: that of infilling large and small areas encircled by existing developments. In this mature phase, Milpitas will be experiencing an increase in the proportion and number of medium and high density units, thus increasing the supply of housing types generally utilized by lower income households. In conjunction with the arrival of this final major growth phase, the City is also facing serious traffic congestion problems and is attempting to provide a balance of residential, commercial and industrial development. Therefore, efforts to address local and area-wide housing problems must be designed to work with rather than against these other major concerns.

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The following goals, reinforced by appropriate policies and actions, have adopted by the City:

- Goal 1: To encourage the provision of decent and affordable housing for all persons, regardless of age or ethnic background, sex, marital status, or other arbitrary factors.
- Goal 2: To encourage the provision of a variety of individual choice in housing type and location.
- Goal 3: To establish, maintain and enhance the character, quality and livability of residential areas.
- Goal 4: To insure that future residential development enhances the overall character of the community.

Housing Program Evaluation

In accordance with State law, the 1984 Housing Element update established a five year housing program. In regard to ABAG's fair share estimate the City:

- 1) Met 97% of the 3,972 unit goal for total new homes constructed.
- 2) With a limited land supply and a seemingly insatiable market demand for larger single family homes, the goals for providing housing affordable to Very Low and Low income households could not be met. However, the City did provide 150 new rental units for lower and moderate income seniors with redevelopment funds.

The use of Federal Community Development Block Grant (CDBG) funds far exceed the predicted goals for rental rehab due to the activity of a private housing corporation (predicted four units but assisted 31 units). Though the housing rehab program for owner occupied properties only achieved 50 percent of its predicted performance, it did address a special need. Sixteen of the program's clients (or 64%) were single women heads of households.

The use of 20 percent set aside funds derived from the Redevelopment Agency exceeded the program goals (except for rehab) by providing 150 units of senior housing and for other major projects related to neighborhood preservation. Between 1985 and 1989 it is estimated that approximately 90 low and moderate homebuyers received mortgage financing assistance for new dwelling units in Milpitas. Use of mortgage revenue bonds was dependent on changing enabling legislation and residential projects eligible and willing to participate in the program. The Community Assistance Program and Housing Service Center continued to be directly and indirectly funded by the City to provide code enforcement and housing related services.

Housing Program Implementation

Without factoring in "alternative" (consideration of potential increased residential development under alternative zoning ordinance and land use restrictions, Milpitas projects that it will provide 99 percent of the 3,709 new units ABAG predicts is needed by 1995. Under the "alternative zoning" scenario, Milpitas would provide 65 percent of the 5,638 new dwelling units needed by 1995. Potential land use changes to help improve Milpitas' achievement of the "alternative zoning" scenario involve consideration of the

SUMMARY

appropriateness of various potential sites (e.g., the 400 acre McCarthy Ranch at the northwest quadrant of SR-237 and I-880). Because of the existing high-priced housing market and the lack of funds available to public agencies, the City will not meet ABAG's predicted need for lower income housing (23% of Very Low and 72% of Low). However, it will exceed, by 32% and 21%, the goals for Moderate and Above Moderate income housing.

Factors affecting Milpitas' achieving 100% of the regionally determined housing needs under the alternative zoning scenario include:

- The lack of available and affordable land for residential development.
- An unpredictable economy and housing market.
- Neighborhood concerns and opposition to new projects.
- Restrictions on property development (i.e., Williamson Act).
- Environmental conditions that would make the site unsuitable, or too expensive to develop, for residential or for housing affordable to lower income households.
- Restrictions related to and depending on available Federal and State programs and funding.

Through CDBG funding the City will continue to operate its housing rehab program and provide assistance to 35 low and moderate income households in the next five years. As a member of the Urban County, Milpitas participates in funding other programs related to the provision of housing. The amount and distribution of funding to these projects is dependent on Block Grant resources, individual program performance and future application submittals.

The City will continue to encourage housing developers to use mortgage revenue bonds whenever feasible. It is anticipated that the Housing Service Center will continue its present mode of operation and receive direct and indirect funding for its services from the City through 1995. Redevelopment Fund obligations exceed the required 20 percent low and moderate income housing set aside. It is anticipated that existing programs will use the 20 percent obligation and that no unused funds will be available for new programs for the next five years. Other existing programs, legislation and policies that are funded by Milpitas or provide on-going regulatory concessions or incentive to assist in the development of low and moderate income housing include:

- 1) Community Assistance Program,
- 2) Condominium conversion ordinance,
- 3) Accessory unit and manufactured housing regulations,
- 4) R1-2.5 zoning district,
- 5) mortgage credit certificates and
- 6) mobile home park conversion ordinance.

SUMMARY

Following is a matrix clarifying the major activity areas under Milpitas' five year housing program (1990-1995):

FIVE YEAR HOUSING PROGRAM SCHEDULE

Program	Time Frame	Funding	Responsible Agency
1. Housing Rehabilitation	Ongoing	CDBG	City
2. Rental Rehabilitation	Ongoing	CDBG	City & Urban County
3. Moderate Rental Rehabilitation	Ongoing	Housing Authority	City & Housing Authority
4. Mortgage Revenue Bonds	Ongoing	Bond Issue	City & Applicant
5. Mortgage Credit Certificates	Ongoing	Federal Income Tax Credits	City & Urban County
6. Milpitas Housing Service Center	Ongoing	CDBG & General Fund	City & Urban County
7. Various housing related agencies	Ongoing	CDBG	Urban County
8. Housing Weatherization	Ongoing	Partial CDBG	CHEC*
9. Community Assistance Program	Ongoing	General Fund	City

*Citizens Home Energy Conservation program

SECTION 2

AUTHORITY AND SCOPE

GENERAL

The powers and duties of California local governments with respect to housing are defined by both state and federal law.

State law declares the early attainment of a decent home and a satisfying environment for every Californian to be a priority of the highest order. It further requires each City to develop a Housing Element as part of its General Plan which should make "adequate provision for the housing needs of all economic segments of the community."

The United States Housing and Community Development Act of 1974, similarly, gives local governments a central role in assessing community housing needs and in determining how federal community development funds should be spent.

In addition, the California Community Redevelopment and Housing Law requires Redevelopment Agencies to use at least 20 percent of all tax increment revenues for increasing and improving the City's supply of low and moderate income housing.

Beyond these responsibilities, California cities and counties have broad policy-making and enforcement powers which enable them to encourage development of various types of housing and to regulate community growth. State law further provides that local governments may not discriminate against housing intended for low-income persons.

HOUSING ELEMENT AUTHORITY

Housing Elements must be prepared in conformance with California Government Code Sections 65580-89 which requires that the Housing Element contain the following subject areas:

- the
- 1) The evaluation of local housing needs, including a locality's share of regional housing need, and an analysis of constraints affecting the ability to the marketplace to meet these needs.
 - 2) The identification of community housing goals, objectives and policies.
 - 3) An evaluation of the community's performance in achieving the goals established for the plan's five year period.
 - 4) The description of a five-year housing program to meet the identified housing needs and goals.

California Government Code Section 65588 requires that all Housing Elements be revised not less than every five years. It further specifies that local governments in the Bay area must complete their current revision by July 1, 1990.

BACKGROUND

The previous Housing Element, revised in 1984, provided a thorough analysis of the regional housing market and its impact on housing in Milpitas. The local housing need was identified and goals, with policies and action statements, were established to address this need and the desires of the community. The housing programs delineated to meet the local need were implemented to the extent possible with quantifiable results outlined in Section 8, "Housing Program Evaluation".

The present revision of the Housing Element updates the discussions on constraints to residential development, demographics, land use and housing need. A detailed description of Milpitas housing programs and activities is also included. The original adoption and later revisions of the Housing Element were made with public participation at public hearings and workshops. The remainder of the General Plan will be undergoing an update in the near future and will be evaluated at that time for consistency with the Housing Element.

ORGANIZATION

The Housing Element is organized into nine subject areas. The first section summarizes the Element and is followed by the present Section with a discussion of "Authority and Scope". Section three will provide a background description of the housing market nationally and regionally to set the stage for considering the Milpitas housing situation. The "Area-Wide Housing Context" will describe the existing housing market (non-governmental constraints) and how these factors impact housing in Milpitas. The fourth section of the Element will present a "Community Profile" describing existing and projected

demographic and land use characteristics of Milpitas. "Housing Need" will be discussed in the following section and will identify the needs of special population groups and the anticipated housing needs of the community by 1995. Section Six "Governmental Constraints" will present constraints to developing more affordable housing that are and are not existing in the City of Milpitas. The seventh section, "Housing Concerns and Goals" will establish housing goals based on identified community housing needs. Policies and actions to guide and aid in the implementation of the goals will also be presented. Lastly, the final two sections regarding Housing Programs, will describe the City's accomplishments in implementing the projects and programs established in 1984. Section 9 will also establish a new five year program designed to meet the projected housing need and established housing goals for the City.

AREA-WIDE HOUSING CONTEXT

SECTION 3

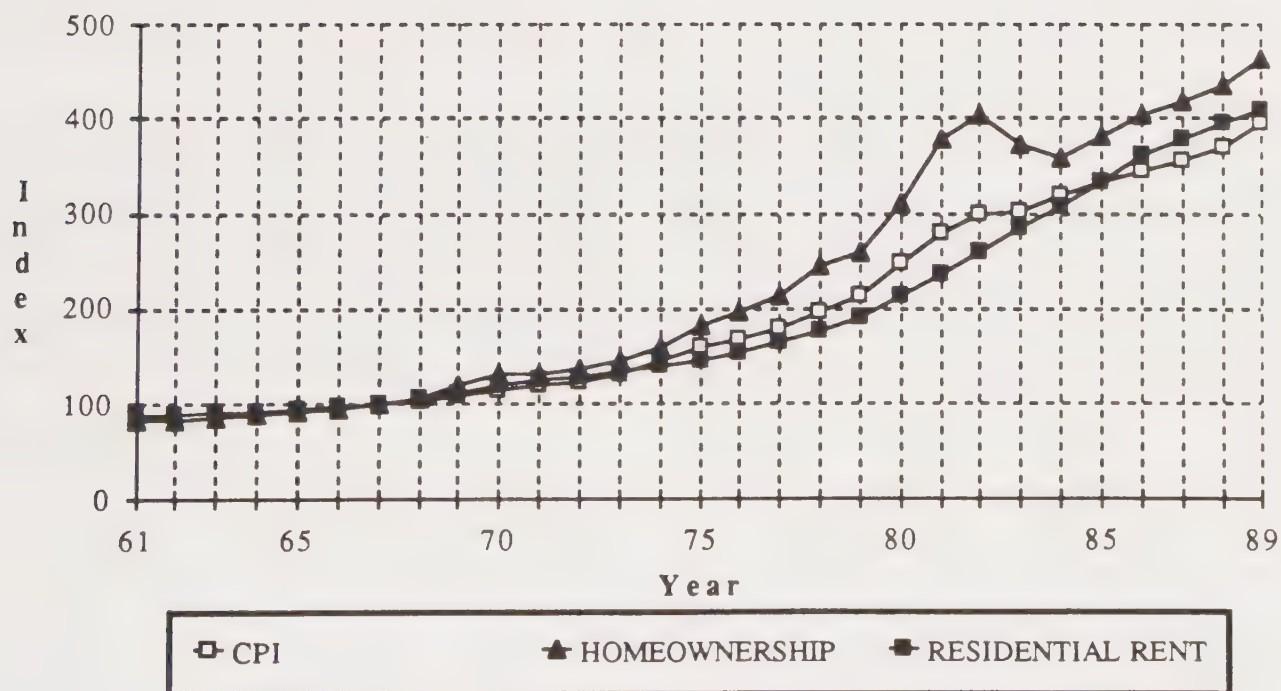
AREA-WIDE HOUSING CONTEXT

INTRODUCTION

The San Francisco Bay Area in recent years has experienced a surge in the demand and cost of housing. Figure 1 illustrates the dramatic rise of the Consumer Price Index (CPI) for homeownership and residential rents (as well as the overall index for all items) in the Bay Area since 1960.

FIGURE 1

CONSUMER PRICE INDEX CHANGES, 1960-1989 SAN FRANCISCO-SAN JOSE SMSA



SOURCE: Bureau of Labor Statistics

AREA-WIDE HOUSING CONTEXT

Within the Bay Area, Santa Clara County has suffered from acute housing problems the last two decades. Between 1970 & 1980, the purchase price of a new home in Santa Clara County increased fourfold. Since 1980, new home prices have reached new highs, growing 117 percent by 1989. Indications are that escalating sales prices may have slowed down though they rose 41 during 1989. In fact, the median price has dropped during the months of September and October 1989, by 5.2 percent.² Though experts disagree regarding the cause of the drop (i.e. October 17 earthquake, slower job growth or fewer higher priced homes being sold) it is not likely that Santa Clara County will experience the large price increases experienced in the last two years in the near future.

The conditions and circumstances that have affected or are presently influencing the regional and county-wide housing markets also affect, to greater or lesser degrees, the Milpitas housing situation. This section of the Housing Element will describe these contributing factors and discuss their affect and eventual consequences on the regional and local housing markets.

HOUSING DEMAND

Most of Santa Clara County is experiencing a demand for housing units that is greater than the current housing stock. Furthermore, it appears that this demand will be growing faster than the increase in housing supply. This demand for housing is directly related to employment growth, demographic changes, housing speculation, lending practices and lower construction rates. The demand for housing is also indirectly related to immigration both nationally and regionally.

Employment Growth

Employment growth is probably the primary cause of increased housing demand in the area. Santa Clara County has experienced rapid job growth, particularly in the electronics and computer industries, in the past decade. According to the Association of Bay Area Governments (ABAG), 178,790 new jobs, a 25 percent increase, were created in Santa Clara County since 1980.³ Many of these new jobs have been filled by immigrants to the County and are well paying professional positions. These relatively affluent new County residents exert further pressure on the housing market. In addition, an increasing number of households now have two full-time wage-earners. For many of these households, two-incomes are the only way they can afford to own a house. For

² "Home Prices Continue to Slide", San Jose Mercury News, November 2, 1989, page 1A.

³ ABAG, Projections '90, December 1989, p. 218 and 235.

AREA-WIDE HOUSING CONTEXT

other two-income households, their higher than average salaries enable them to pay more for housing and thus exert upward pressure on housing prices.

Demographic Changes

During the late 1940's and throughout the 1950's, there was a marked increase in fertility rates. The offspring of this era, the "baby boomers" are now in their thirties and forties, an age when people have typically entered the homeownership market. In 1990, 31 percent of Santa Clara County's population is projected to be in this age bracket. In addition, the median age for the County has now entered the thirties and is projected to be 31.85 in 1990.⁴ Because this age group comprises such a large proportion of the total population, its influence on housing demand is considerable.

In addition, declining household size has also added to the demand for housing by creating more and smaller households from the same size population. County wide, in 1960, there was an average of 3.36 people per household. However, by 1980, the average household had shrunk to only 2.76 persons. That household size is not anticipated to change much when the results of the 1990 census are calculated. The most recent estimate for the average household size in Santa Clara County was 2.73 as of January 1, 1989.⁵

Though smaller households would obviously create the need for more housing for the same size population, it also has an opposite effect. The difficulties of finding and affording shelter encourages households to share housing; more families or individuals are living together out of economic necessity or due to cultural lifestyles (or both).

Several factors contribute to declining household size:

- 1) As previously mentioned, the population in general is aging and it is expected that this trend will continue for at least the next several decades. Older households are generally smaller thereby reducing the average household size throughout the County. In addition, people who settled in the County during the 1950's and 60's and raised their families are now residing in the same home that used to be occupied by a larger family.

⁴ ABAG, Projections '90, December 1989, p. 200.

⁵ State Department of Finance, Santa Clara County Population and Housing Estimates, January 1, 1989.

AREA-WIDE HOUSING CONTEXT

- 2) In recent years, young adults have been staying single longer. The typical age at first marriage in 1955 was 20.2 and 22.6 years for men and women, respectively. In 1988, it had increased to 23.6 and 25.9. These typically young, single people, who have minimal family responsibilities, are a influential factor in the demand for housing.⁶
- 3) The fertility rate of women in prime childbearing years has dropped to an all-time low. As a result, two-parent households are having fewer children, or postponing them to a later age.
- 4) A high divorce rate also affects the average household size by creating two households where one existed previously. Nationally, the divorce rate has almost quadrupled since 1960.⁷

Speculation

At times of rapidly escalating housing values, many investors buy real estate hoping to profit from a high return. New homes, especially, are purchased with the expectation of reselling them in a short time at a higher price. Speculative purchases add to housing demand and contribute to rising house prices. At the same time, though, speculation can provide some homes in the rental market that would otherwise be owner-occupied.

Lending Practices

In the 1970's and 80's, house prices escalated more rapidly than either household income and the overall cost of living. Not surprisingly, lending institutions have created special financing tools (i.e. adjustable rate mortgages) and arrangements (i.e. shared equity) to encourage homeownership. Requirements for loan approval were also loosened allowing some clients to spend up to 38 percent of their gross monthly income on housing.

Construction Rate

Housing construction has always been sensitive to the national economy. Even during periods of high consumer demand, housing construction rates can remain sluggish if interest rates are high. The "carrying costs" of land can make new residential projects financially infeasible. Recently, however, residential construction has increased as the economy has improved and more money has become available for construction loans and mortgages.

⁶ "Census Shows Radical Changes In Family, San Jose Mercury News, September 5, 1989.

⁷ Ibid.

AREA-WIDE HOUSING CONTEXT

Another factor that has influenced housing construction rates recently, and will continue to have an even greater affect in the next few years, is the amount of land available for residential development. Prime residential land is limited by local governmental land use decisions, thereby limiting the number of new housing units that can be produced.

In addition, primarily due to the effects of Proposition 13 on local government financing, communities have become increasingly concerned about their financial ability to provide municipal services. Not surprisingly, they are often unwilling to allow additional residential development in outlying areas that may require the extension of existing City services. In those cases where housing projects do require the extension of existing City services and facilities, their initial costs are usually borne by the new dwelling units resulting in an increased purchase price.

Lastly, when housing has been constructed on the choice and most easily developed land within a community the remaining parcels designated for residential use may be more time consuming and expensive for a developer to use. The development of infill parcels can be complicated by difficulties in land acquisition (sometimes requiring that several different parcels be obtained), "problem" characteristics related to topography, shape or size, or public concerns usually generated by owners or occupants of adjacent and already developed property.

While the national economy and land availability affects the construction rate of all types of residential development, the rental construction rate is complicated by additional factors. For instance, the development of apartments is affected by higher interest rates and more stringent financing terms than that required for single-family project construction loans. Also, the building industry claims that acceptable market rents have not increased high enough to cover the costs of constructing a new apartment complex. Lastly, prospective landlords claim that the ever present possibility of rent control in many communities contributes to the risk associated with apartment investment.

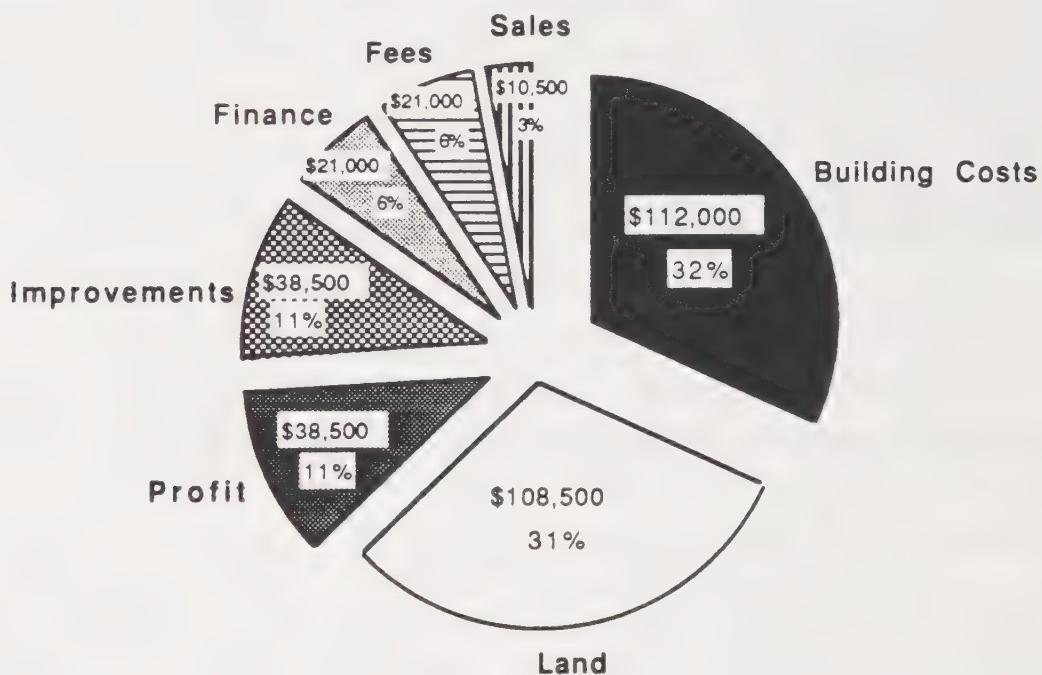
AREA-WIDE HOUSING CONTEXT

MARKET & INCOME TRENDS

New Home Costs

The rapid escalation of housing prices that has occurred in the County during the last two decades has been the result of strong local demand, coupled with a reduction in available residential land and insufficient new residential construction. In addition, rising home prices have been fueled by increases in the cost of building materials, labor, finance and profits which have been major contributors to the overall nationwide increase in housing costs. Figure 2 estimates the existing cost breakdown of constructing a single-family house in Santa Clara County:

FIGURE 2
Cost of Building a New Single Family Home in 1989
Sales Price: \$350,000



- Building costs: Materials and labor
- Land: Purchase price of undeveloped land
- Profit: Profit from sale of the new house
- Improvements: Sidewalks, streets, water lines, etc.
- Finance: Cost of borrowing money to purchase land and build housing
- Fees: Charges levied by local jurisdictions
- Sales: Model-home costs, advertising, sales people

SOURCE: Building Industry Association

AREA-WIDE HOUSING CONTEXT

In addition, interest rates on conventional home purchase loans have experienced a gradual increase in past years and significantly affected the affordability of new homes. In early 1972, the lowest rate generally available on a 30-year, 80% mortgage was 7%. By July 1981, however, loan rates had hit an all time high of 17%. Slowly the rates eased down until 1986 when they were in the 10 percent range. Interest rates have continued to fluctuate between 9.25 and 11.00 percent.⁸

Higher interest rates affect home costs in two significant ways. First, higher rates add to construction costs, since home builders and contractors must borrow money in order to finance construction. Second, higher interest rates can dramatically increase a buyer's monthly payments and ability to afford to buy a home.

Homeownership Affordability

Between 1966 and 1970, the cost of a median priced new home increased from \$24,000 to \$24,500, a two percent increase. The corresponding rise in annual median household income in the County was from \$8,663 to \$11,282, a 30 percent increase. During this period, a majority of households could afford to buy and maintain a median priced new home. In 1972, this trend was dramatically reversed as new home prices began to increase at a faster rate than income. From 1970 to 1980, new home prices rose from \$24,500 to \$133,400, a 444% increase, while median income only rose from \$11,282 to \$23,370, a 106% increase. Between 1980 and 1989, the median income rose by 98% to \$46,300, outpacing the rise in median new home prices (55% increase to \$206,400). However, as illustrated in Figure 3, the discrepancy between income and housing prices still remains wide.⁹

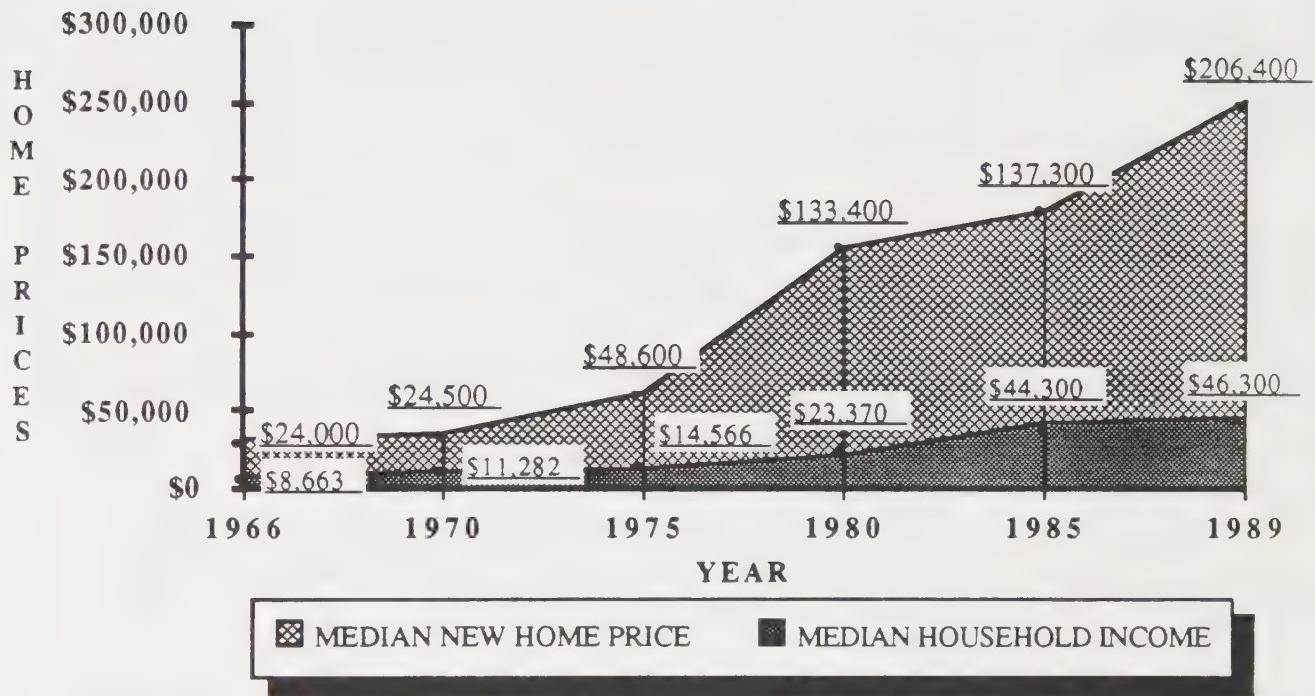
⁸ Bradley Inman, "A Capsule View of Major Housing Events", San Jose Mercury News, December 9, 1989,
p. 5D.

⁹Harrington Housing Research Co. (years 1966-1980)

AREA-WIDE HOUSING CONTEXT

FIGURE 3

MEDIAN NEW HOME PRICES AND MEDIAN INCOME SANTA CLARA COUNTY, 1966-1989



SOURCE: Harrington Housing Research Co., Construction Industry Research Board, U.S. Census, ABAG

In the past, existing homes were relatively less expensive than new homes and therefore were a source of housing for those households who could not afford new housing. However, as the demand for housing has increased, existing homes have commanded higher and higher prices. This is illustrated comparing the annual percent change in prices between new and existing homes in Table 1 (Note that the actual dollar amounts shown in Table 1 cannot be directly compared since new home prices are medians and existing home prices are averages). It should be particularly noted that for the years 1975 through 1979, the percent change in prices for existing homes has surpassed that of new

Construction Industry Research Board, "Characteristics of New Homes Sold", February 1989, p. 8.

AREA-WIDE HOUSING CONTEXT

homes. As the price of existing homes has escalated, this traditional source of lower cost housing affordable to households with moderate means is disappearing.

TABLE 1

PRICES OF NEW AND EXISTING HOMES SANTA CLARA COUNTY 1966-1988

YEAR	MEDIAN PRICE OF NEW HOMES*	% CHANGE FROM PREVIOUS DATE	AVERAGE PRICE EXISTING HOMES+	% CHANGE FROM PREVIOUS DATE
1966	\$24,000	--	\$22,910	--
1970	\$24,500	+2.1%	\$27,650	+20.7%
1975	\$48,600	+98.4%	\$44,760	+61.9%
1980	\$133,400	+174.5%	\$121,980	+172.5%
1985	\$137,300	+2.9%	\$143,067	+17.3%
1989	\$290,000	+111%	\$239,345	+67.3%

*Harrington Housing Research Company, years 1966-1980, Construction Industry Research Board, San Jose Real Estate Board.

As previously mentioned, lending institutions have traditionally used 25 percent of a household's gross monthly income as a guideline for assessing affordability of housing costs. As the cost of housing in the County has spiraled, it has become necessary for households to spend as much as 33 percent or more of their income to pay for shelter.

Middle and upper income households who exceed the 33% limit may do so as a matter of choice. For these households, overpaying is not an acute problem. However, lower income households spending 33% of gross income for shelter costs may be straining their ability to pay for other essentials. The 33% percent figure for housing is based on gross earnings and after deducting at least an additional 10 to 25 percent for withholding of taxes, a worker may have little left for food, clothing, transportation and medical care.

AREA-WIDE HOUSING CONTEXT

As home prices in the County have soared, so has the amount of the down payment required to purchase them. Not only is a household faced with monthly payments of \$2,409 for a \$290,000 new home (1989 County median price with a 10% fixed rate 30 year mortgage, including hazard insurance and property taxes), but it must initially come up with a \$58,000 down payment (20% on conventional mortgage). In addition, a family can expect to pay an estimated 2% or 3% of the sales price for closing costs; on a \$290,000 home, this would be approximately \$5,800 to \$8,700. On top of all this may be homeowners' association dues.¹⁰ Some may be able to afford to make the monthly payments involved in homeownership but because they lack the large down payment, they are forced out of the market. This is particularly true for families who have not previously owned a home and thus have no equity built up for a down payment.

In spite of the growing gap between home prices and income, some households are finding ways to purchase homes. Homebuyers are coping with rising homeownership costs in several ways:

1. Leveraging equity earned from a previously owned home as a means of lowering housing costs.
2. Borrowing the down payment from friends or relatives.
3. Entering shared-equity arrangements where another investor makes the down payment or contributes to the monthly mortgage payments in exchange for a share of future equity.
4. Using "creative" financing techniques to temporarily reduce the monthly mortgage payment.
5. Spending an increased percent of income for shelter.
6. Multi-income households

Data indicates that a large percentage of current homebuyers were previous homeowners with past-earned equity or have two incomes. These trends seem to indicate that the prospect of future homeownership will be limited to the affluent or those who purchased a home prior to 1980 and thereby capitalized on the rapidly increasing home values during that period. Should these trends continue in Santa Clara County, we can expect to see a two-tiered housing market. Homeownership will be limited to those with extremely high incomes or those who already own their own homes. Most other households will be forced to either live in rental housing or spend a very large proportion of their income for housing, if they are to remain in Santa Clara County.

¹⁰ Building Industry Association, "How To Calculate Your Home-Buying Power", San Jose Mercury News, September 17, 1989, p. 4H.

AREA-WIDE HOUSING CONTEXT

Benefits of Homeownership

If the prospects of owning a home are limited to a small proportion of County residents, a great many County residents will not be able to realize its financial advantages. One of the strongest financial incentives to owning a home is the income tax deduction given on mortgage interest and property taxes paid by a home buyer. These deductions effectively reduce monthly shelter cost payments by a percentage based upon the tax bracket of the homebuyer.

Another advantage of owning a home is its historical role as an investment. For many households, homeownership is the only (or most significant) form of investment they can make. By excluding the prospect of homeownership from many households, one important source of long term financial security is eliminated.

Rental Market

As the price of housing has increased, making the prospect of homeownership an elusive one for an increasing number of households, the demand for rental units has grown. This demand, coupled with a low apartment construction rate and an increasing population base, forces the apartment vacancy rate down and rents up.

However, in 1985 and 1986 a mini-boom of apartment construction occurred in the Bay area. Over 24,000 units were built each year. With an encouraging increase in the supply of apartments, rents stayed relatively stable and vacancy rates increased slightly. However, in 1987 and 1988 new apartment construction fell dramatically throughout the Bay area with a corresponding dip in vacancy rates.¹¹

In the 1980's, the low apartment vacancy rate was also aggravated by the conversion of apartment complexes into condominiums. A large number of apartments in Santa Clara County were sold to specialists who converted them to condominiums and then sold the units to individual owners. Substantial profits were gained from such conversions and local property taxes increased, but the long range impact was to reduce the supply of rental units resulting in even lower vacancy rates.

As vacancy rates dip to less than 4 percent, property owners may respond to the demand by increasing rents. Currently, in San Jose and south Alameda County,

¹¹ Bay Area Council, "Affordability Declines After Recent Gains", Housing and Development Report, June 1989, p. 3.

AREA-WIDE HOUSING CONTEXT

rents are increasing at a slow pace. According to the Bay Area Council, the median advertised rent increased from \$675 in October 1988 to \$700 (a 4% rise) a year later. During that same period in south Alameda County (Hayward, San Leandro and Fremont) rents remained stable at \$625 and \$630.¹² However, with a 15 percent drop in the number of building permits issued in the past year it is probable that rents will soon begin an upward climb.

Though increases in residential rents have been less dramatic than the rise in homeownership costs, there are many Santa Clara County households who rent and pay more than the traditional 25% or more liberal 33% of their gross income for shelter. Again, as in the case of homeowners, the incidence of middle and high income households exceeding the 33% limit is not necessarily an indication of need. However, low income renters paying 33% of income for shelter can do so only by sacrificing other essentials.

Accessibility to Rental Housing

As owners and managers take advantage of the tight rental market to choose the most desirable tenants (from their point of view) from the ever-increasing number of desperate seekers, special groups are finding a smaller percentage of rental housing available to them. Households that have traditionally been in the rental market find they are competing with a larger pool of renters since increasing home purchase costs are forcing many more individuals and families to postpone or give up on buying their own home.

The number of renters with children is growing as the post World War II baby boom generation reaches family formation age. This increase in demand has not been matched by growing supply. The problem in finding rental housing for families can be exacerbated by the reluctance of some property owners to rent to families with children. The California Supreme Court, however, has ruled that discrimination against families with children is unconstitutional.

Seniors, who have retired, also experience hardships in the rental market. Frequently, inflation has eroded their fixed incomes and impoverished them for the first time in their lives. They are unable to compete financially with wage earners and are, therefore, frequently forced out of familiar neighborhoods and surroundings.

Disabled individuals also face special problems. Architectural barriers, such as stairs and narrow doors, limit the number of usable rentals for the physically

¹² Bay Area Council, "Bay Area Rents Head Up", Housing and Development Report, December 1989, p. 3.

AREA-WIDE HOUSING CONTEXT

disabled. The handicapped also need to live near transportation for access to jobs or rehabilitation programs. If an acceptable unit is found, the landlord may be fearful of greater liability, and refuse to rent to a disabled person. Consequently, a handicapped person may be denied his or her right to function independently. State law, however, also prohibits housing discrimination against the disabled. Additionally, recent State law also requires that a number of units, within new multi-family construction, be designed for the disabled.

Lastly, single female head-of-households may encounter difficulty competing for housing. Not only is she a less desirable tenant to a landlord because she may have children but her choice of affordable apartments is limited by her income. On the average, a single male has a higher income than a female counterpart.

SECTION 4

COMMUNITY PROFILE

Before a concern is addressed, its nature, scope and context should be understood. This section will contribute to an understanding of local housing concerns by describing the Milpitas community.

SIZE AND GROWTH

Milpitas is a relatively compact community. Its present incorporated area is about 13.5 square miles and its "sphere-of-influence" (which includes presently incorporated and unincorporated areas that would have to annex to the City in order to obtain urban services) equals about 24 square miles. The majority of urban development is located in the incorporated portions of the valley floor area (all lands west of Piedmont and Evans Road and the northerly extension of North Park Victoria Drive).

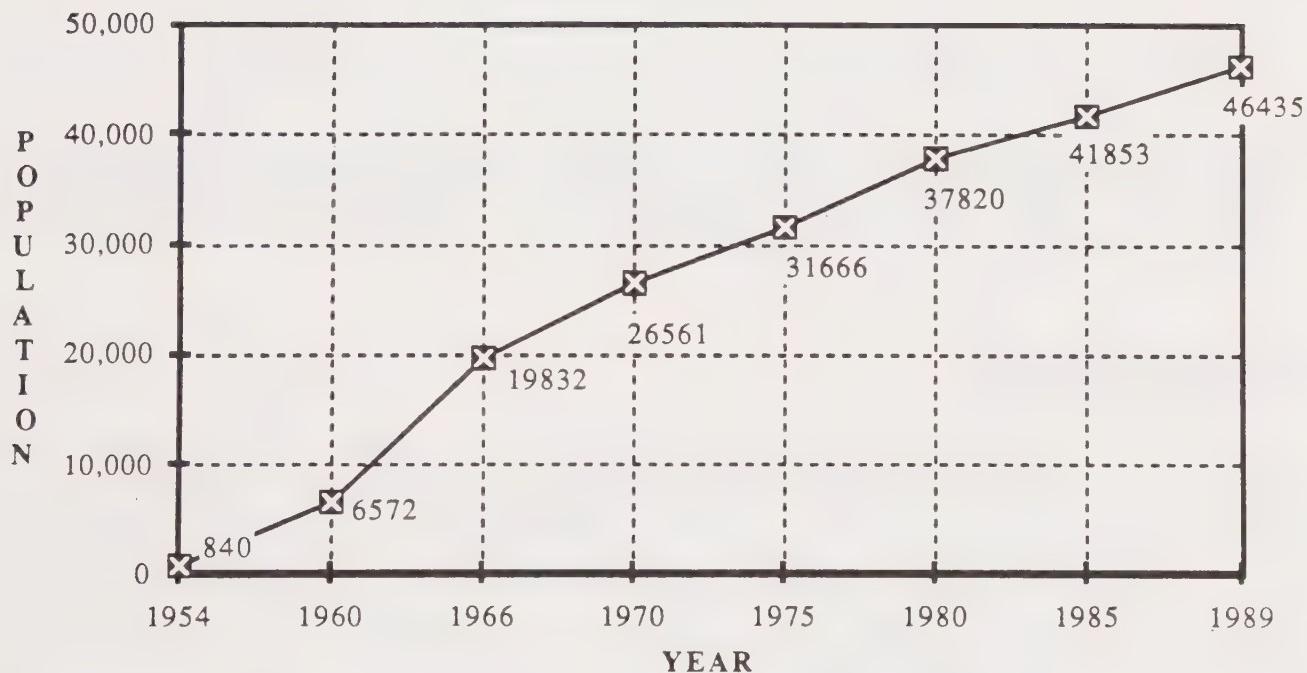
The City is medium-sized in terms of population. As of January 1, 1989, there were 46,435 residents. 43,917 individuals reside in 13,802 households with 2,518 individuals in group quarters (primarily in the Elmwood correctional facility). Milpitas ranks sixth in population of the 15 cities in Santa Clara County with 3.2% of the total County population. While growth has slowed down considerably from the levels experienced early in the City's history (see Figure 4), it is still one of the faster-growing cities in the County. Between 1980 and 1989, Milpitas' population grew by 22.8%, while the County's population grew by 11.3%.¹³

¹³State Department of Finance, Summary Reports, 1980 to 1989

COMMUNITY PROFILE

FIGURE 4

MILPITAS POPULATION GROWTH 1954-1989



SOURCE: U.S. Census and State Department of Finance

The lower growth rate for the past nine years reflects the change from a new, small city to a larger, more mature community with fewer developable sites. The slowdown, beginning in the late 1960's, was primarily the consequence of rapid residential growth following the City's incorporation. The growth spurt led to a sewer moratorium in 1970-72 and a residential development restriction related to school overcrowding in 1972-74. The City's growth rate has also been affected by social trends, such as declining household sizes and national economic trends, such as the 1974-75 and 1980-82 recessions.

The Association of Bay Area Governments (ABAG) projects Milpitas' 1995 population to be approximately 53,200 (a projected 40% increase over the 1980

COMMUNITY PROFILE

population) or about 16,340 households. After 1995, there remains the potential for an additional 2,400 households or 6,100 residents.¹⁴

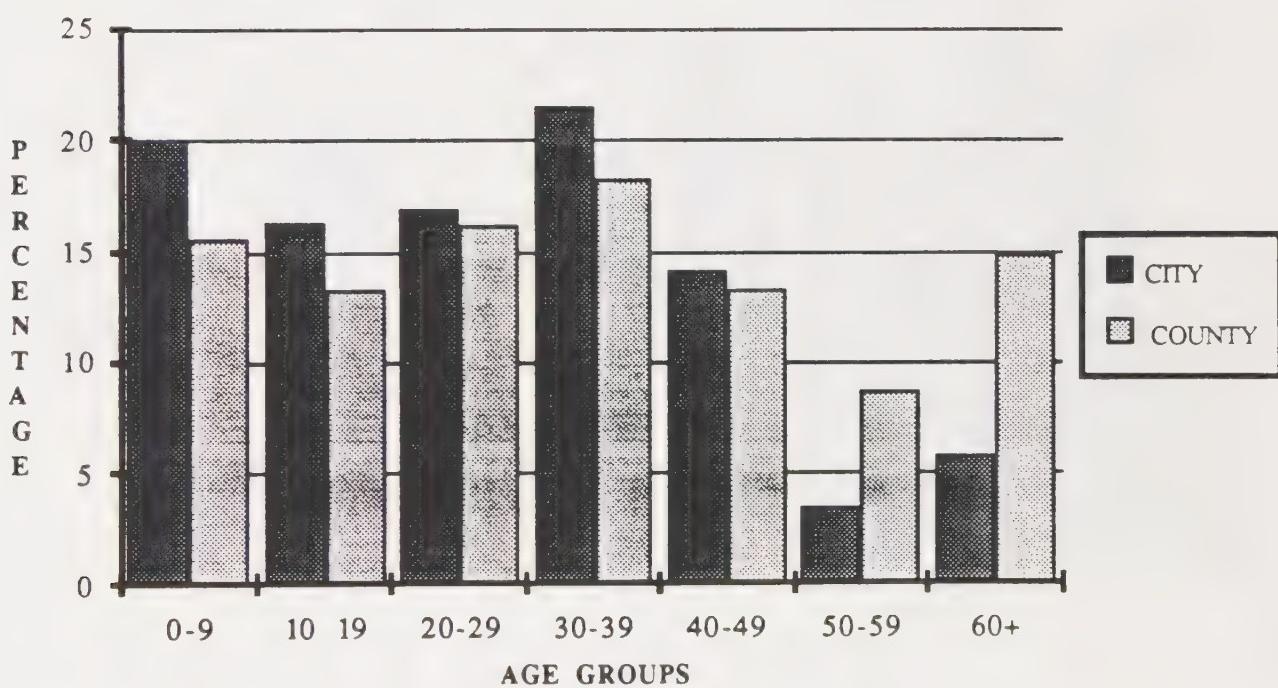
POPULATION CHARACTERISTICS

Age

In 1980, Milpitas had the youngest population in the County with a median age of 26.3 compared to 29.1 Countywide. Not surprisingly, Milpitas had a significantly-higher percentage of residents, between the ages of 0 to 10 years (18.1%), than in the County overall (13.8%). Figure 5 illustrates that in 1990 it is projected that Milpitas' youngest age group will increase to 20.0% and still remain higher than the County's proportion of young children at 15.5%.

FIGURE 5

AGE BREAKDOWN BY CITY AND COUNTY, 1990



SOURCE: 1980 Census, Santa Clara County Advanced Planning Office ("Info", July 1988), Milpitas Planning Division, 10/26/89

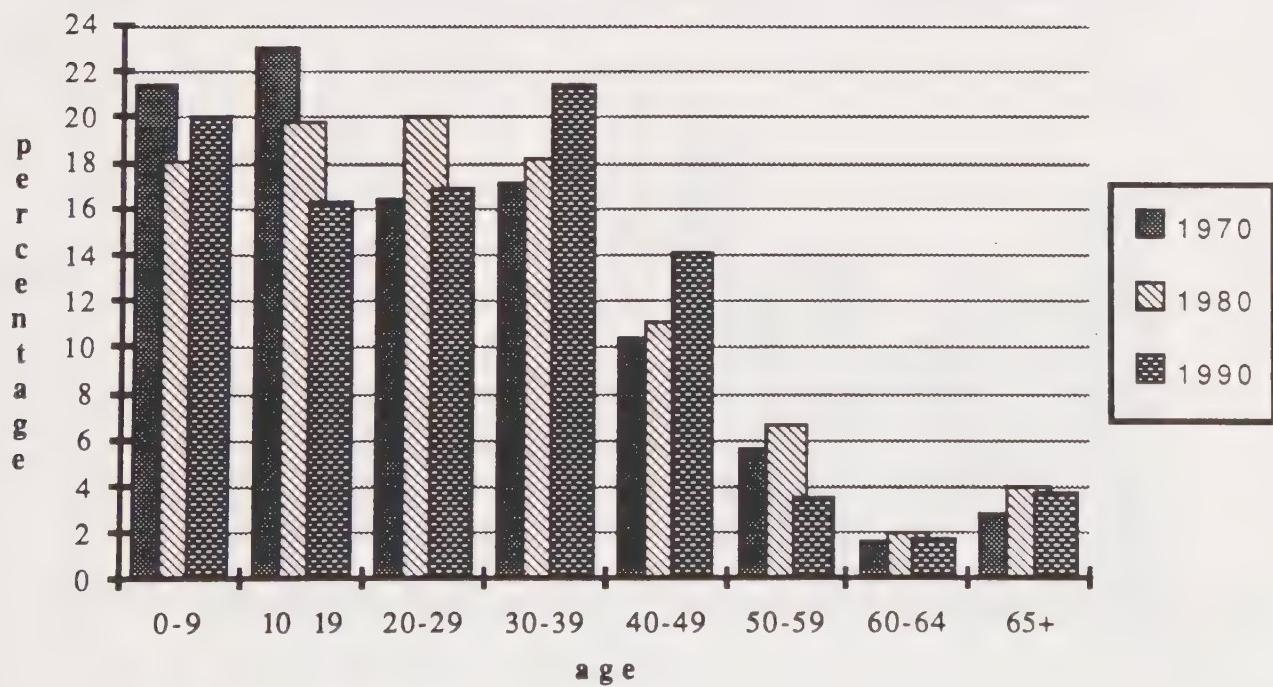
¹⁴ABAG, Projections '90, December 1989, pp. 230-233.

COMMUNITY PROFILE

Similar to nationwide trends, and in spite of so-called baby booms, Milpitas' population is aging. As demonstrated in Figure 6, the percentage of residents over 20 years of age has increased between 1970 and 1980, while the younger age groups decreased. It is anticipated that further maturing of the City's population, particularly for the 30 to 49 age group, will be evidenced by the results of the 1990 census.¹⁵

FIGURE 6

CHANGE IN CITY AGE BREAKDOWN 1970 to 1990



SOURCE: 1970 & 1980 U.S. Census, Santa Clara County Advance Planning Office ("Info", July 1988) and Milpitas Planning Division (10-26-89)

¹⁵ 1980 Census, Santa Clara County Advance Planning Office ("Info", July 1988), Milpitas Planning Division, 10/26/89.

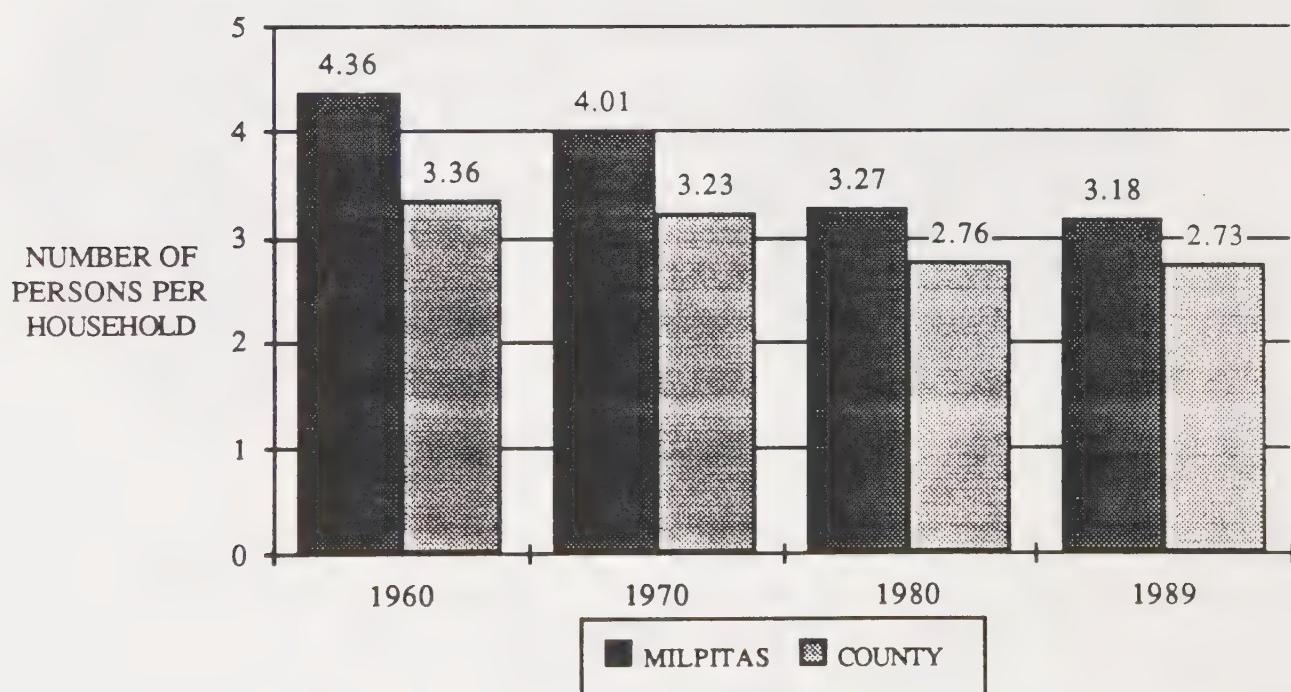
COMMUNITY PROFILE

Household Size

With its young population, it is not surprising that in 1980 Milpitas also had the largest average household size with 3.27 persons per household. Countywide, the average household size was 2.76. Consistent with nationwide trends, though, household sizes are shrinking (See Figure 7). In 1989, Milpitas households have decreased to an average of 3.18 persons. However, Milpitas still has the largest average in the County where, overall, households are estimated to average 2.73 persons.¹⁶

FIGURE 7

AVERAGE HOUSEHOLD SIZE MILPITAS & SANTA CLARA COUNTY 1960 - 1989



SOURCE: U.S. Census and State Department of Finance

¹⁶ State Department of Finance, Santa Clara County Population and Housing Estimates, January 1, 1989.

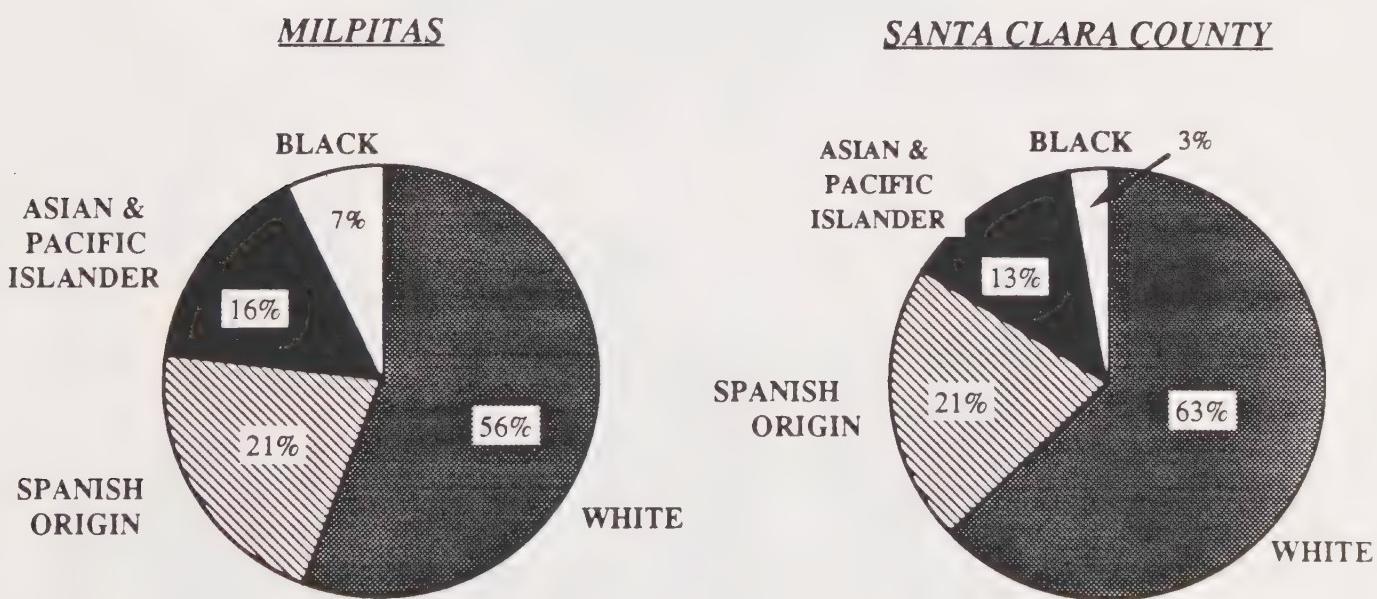
COMMUNITY PROFILE

Race/Ethnicity

Racially and ethnically, Milpitas has historically had a diverse population. In 1980, the City's minority population of 37.2% exceeded the County's 29.5% minority makeup (See Figure 8). Though Milpitas' Spanish origin resident population was close to the County's, the City had a much higher percentage of Asian and Black residents than the rest of the area.

FIGURE 8

RACIAL AND ETHNIC BREAKDOWN MILPITAS AND SANTA CLARA COUNTY, 1989



SOURCE: U.S. Census Bureau, Milpitas Planning Division

According to U.S. Census Bureau estimates, the County minority population has increased, particularly those of Asian origin. Between 1980 and 1985, the Asian residents were estimated to increase from 8.8% to 13.4% of the total County population.¹⁷ Based on the Census Bureau's figures, the Milpitas' Asian population has been estimated to have also grown from 11.7% in 1980 to 16% in 1989. It is anticipated that the 1990 Census will confirm growing minority populations, particularly Asian groups, in Milpitas.

¹⁷ "Asian Population Booming", San Jose Mercury News, June 21, 1989, p. 1A.

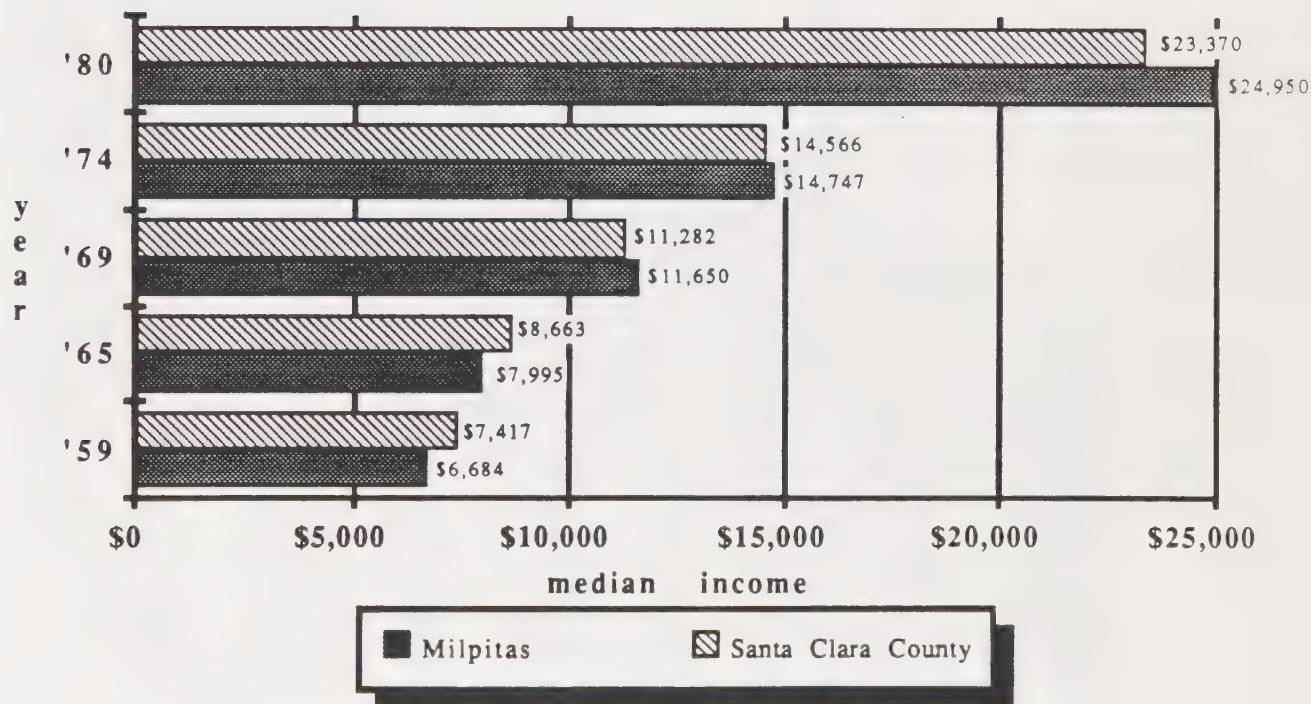
COMMUNITY PROFILE

Income

The average income of Milpitas residents has, historically, been close to that of the County's. In 1980, the U.S. Census estimated Milpitas' median household income to be slightly above the County's median (See Figure 9). For households, Milpitas has the seventh highest median income in Santa Clara County in 1980.¹⁸ It is anticipated that it will remain above the County average when the results of the 1990 Census become available.

FIGURE 9

MEDIAN HOUSEHOLD INCOME CITY AND COUNTY, 1959 TO 1980



SOURCE: U.S. Census and special Santa Clara County Census

¹⁸1980 U.S. Census

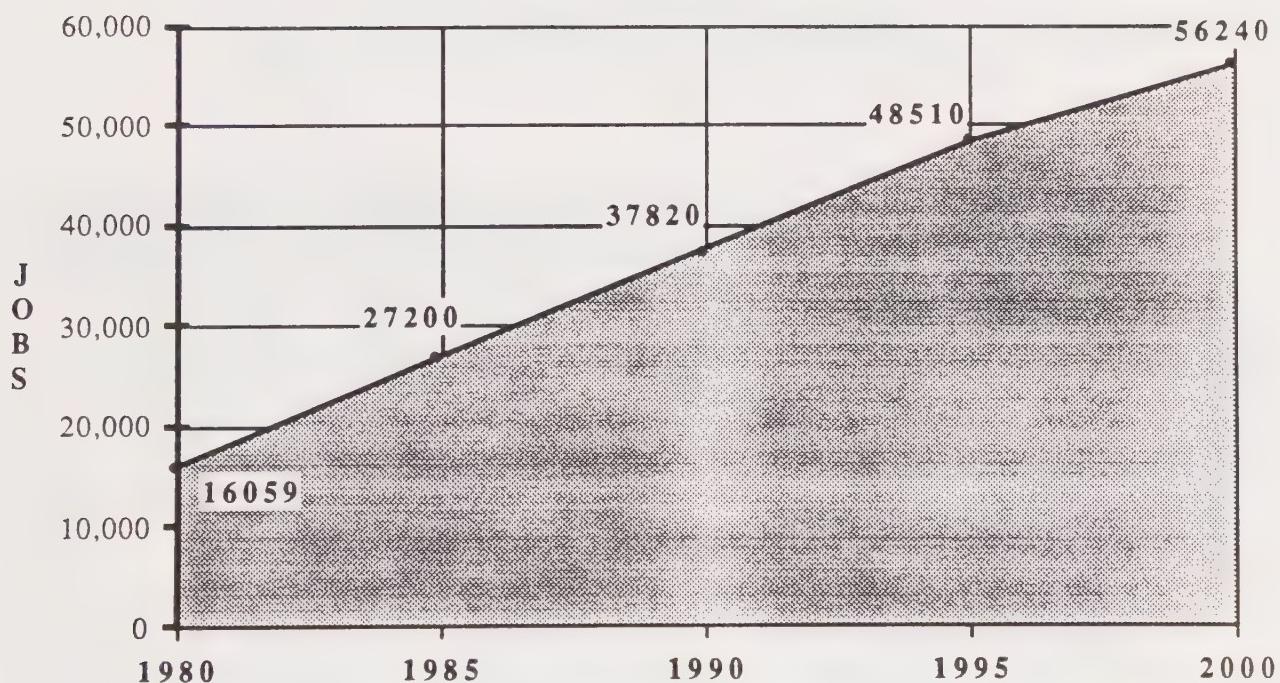
COMMUNITY PROFILE

Employment

According to the Association of Bay Area Governments (ABAG), Milpitas' job market will have grown by 136%, or 21,761 jobs, from 1980 to 1990. As Figure 10 illustrates, ABAG, has also predicted that employment opportunities in Milpitas will continue to rise another 49% to 56,240 in the year 2000.¹⁹

FIGURE 10

MILPITAS EMPLOYMENT GROWTH 1980 - 2000



SOURCE: ABAG, Projections '90, December 1989

¹⁹ABAG, Projections '90, December 1989, p. 235.

COMMUNITY PROFILE

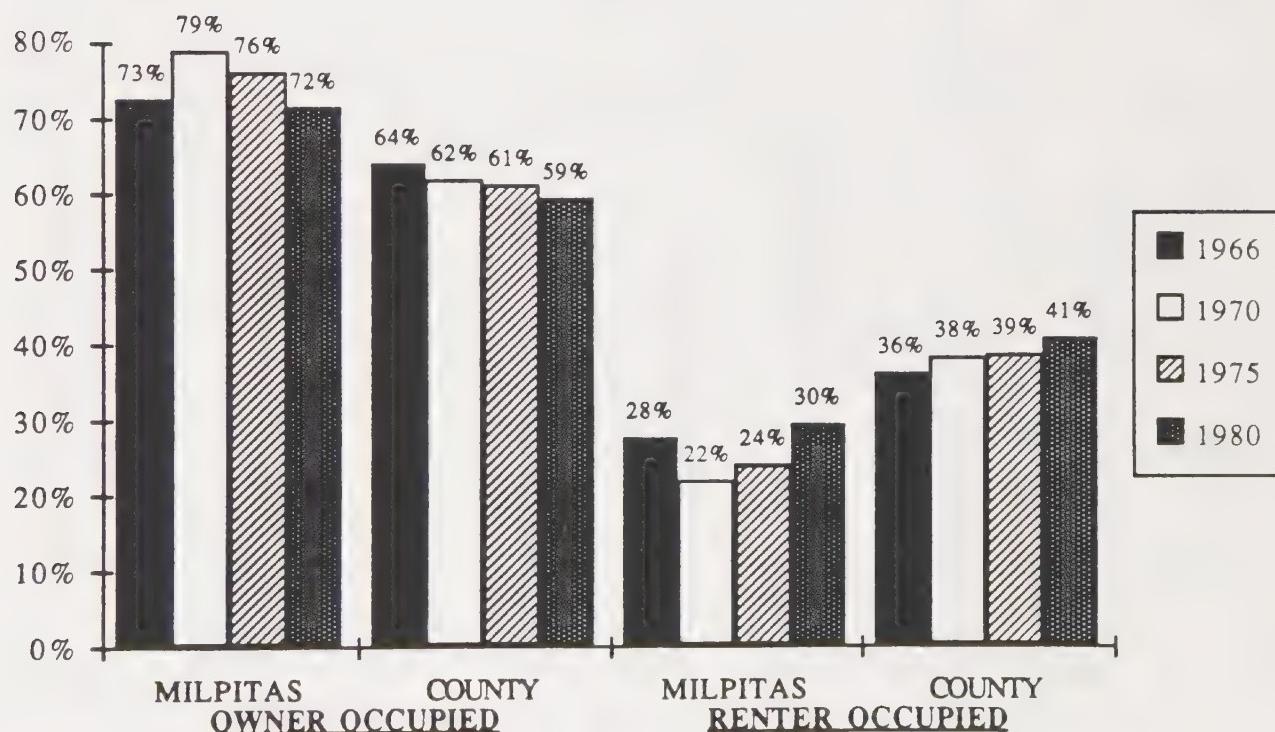
HOUSING CHARACTERISTICS

Housing Type

Milpitas is a predominantly single-family community. As of January 1, 1989, there were 14,360 dwelling units on both the valley floor and hillside area.²⁰ On the valley floor, 70 percent were single-family homes (attached and detached). The remaining 26% were multi-family (apartments, condominiums & townhomes) and 4% mobile homes. Historically, the proportion of owner and renter-occupied housing units has also reflected the single-family character of Milpitas. As Figure 11 illustrates, the percentage of owner-occupied homes has varied from 71 to 79% since 1966. It has always been at least 8.7% higher than the percentage of owner-occupied homes Countywide.

FIGURE 11

1966-1980 TENURE MILPITAS AND SANTA CLARA COUNTY



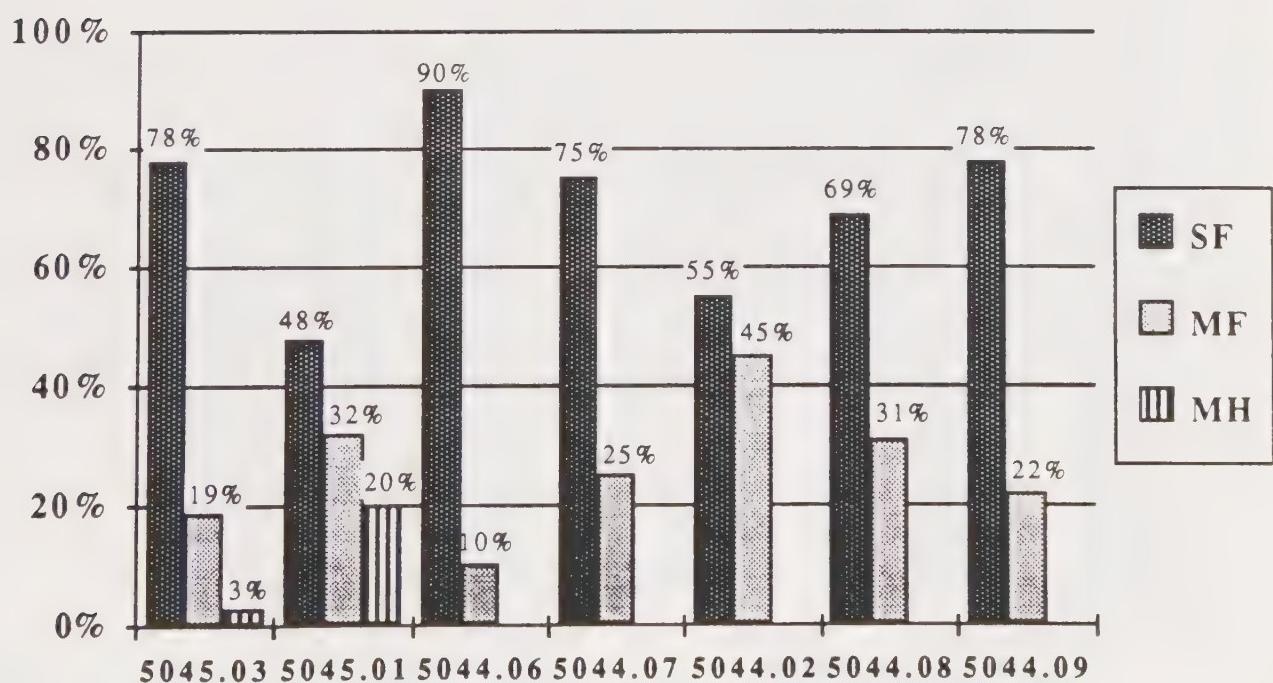
SOURCE: U.S. Census and County Special Census

²⁰ State Department of Finance, Santa Clara County Population and Housing Estimates, January 1, 1989.

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Since 1984, the percentage of single-family homes has continued to increase. However, as illustrated in Map 1 and Figure 12, the various housing unit types are not evenly dispersed throughout the City. Of the seven residential census tracts in the City, the proportion of single family units range between 48% to 90%. Future development in accordance with the 1989 General Development Plan will not significantly alter the proportion or location of different types of housing. As shown in Map 1 and Figure 13, by 1995 the City will be 68% single family, 29% multi-family and 3% mobile homes.

FIGURE 12
HOUSING TYPE DISTRIBUTION
1989





MAP 1

HOUSING TYPE DISTRIBUTION
VALLEY FLOOR
EXISTING (1989) AND PROJECTED (1995)

CT 3043.01	
	1989 1995
SF	48% 35%
MF	32% 50%
MH	20% 15%

CT 3044.06	
	1989 1995
SF	90% 91%
MF	10% 9%

CT 3044.07	
	1989 1995
SF	75% 61%
MF	25% 39%

CT 3044.02	
	1989 1995
SF	55% 53%
MF	45% 47%

CT 3044.08	
	1989 1995
SF	69% 69%
MF	31% 31%

CT 3044.09	
	1989 1995
SF	78% 83%
MF	22% 17%

CT 3043.03	
	1989 1995
SF	78% 80%
MF	19% 17%
MH	3% 3%

INDUSTRIAL

INDUSTRIAL

NE CAPITOL

BLVD.

TRADE ZONE BLVD

PACIFIC

PACIFIC

RAILROAD

EXPWY

CAPITOL

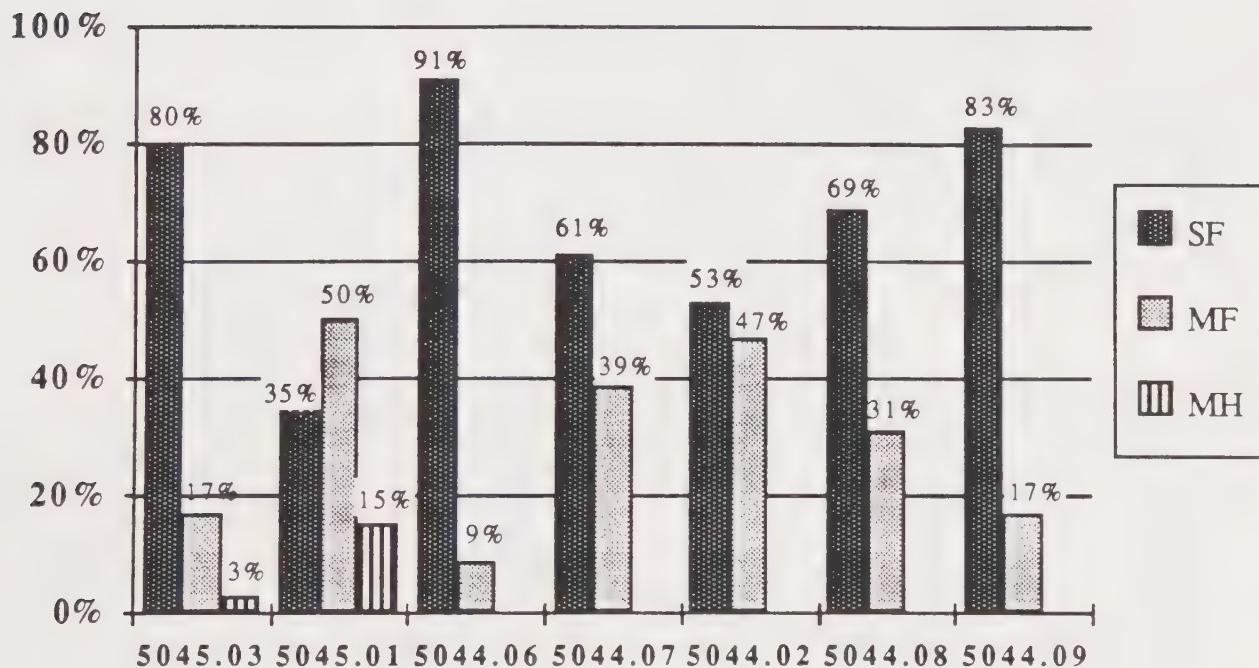
BLVD

AVE

BLVD

COMMUNITY PROFILE

FIGURE 13
HOUSING TYPE DISTRIBUTION
1995



Densities

There is a wide range of land use densities allowed in the City of Milpitas. The lowest densities are required in the hillside beginning with a minimum lot size of 20 gross acres for one home. Up to three homes on one acre are allowed in the highest density hillside areas. On the valley floor, the following densities are permitted:

Land Use Designation	Allowable Units Per Gross Acre
Single Family Low	3 to 5
Single Family Moderate	6 to 15
Multi-Family Medium	7 to 11
Multi-Family High	12 to 20*
Mobile Home Park	6 to 7

* Up to 40 units to the acre can be achieved under the Multi-Family High designation. However, to exceed 20 units per acre, a project must be processed and approved by the City Council as a Planned Unit Development and meet criteria relating to water, sewer, traffic and architectural design (Title XI, Chapter 10, Section 54.07-6 of the Milpitas Municipal Code).

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Structure Age

Milpitas' housing stock is relatively young. As indicated in Table 2, 26 percent of it has been built and occupied in the last ten years and 64 percent is less than 20 years old. However, as Milpitas ages so does its housing: 44 percent of all homes are older than 20 years (built prior to 1970).

TABLE 2

HOUSING STOCK AGE

TIME PERIOD BUILT	PERCENT OF TOTAL HOUSING UNITS
Prior to 1959 (over 30 years old)	11%
1960-69 (20-30 years old)	33%
1970-1979 (10-20 years old)	31%
1980-1989 (0-10 years old)	26%

NOTE: Does not include mobile homes since no information is available on mobile home turnover.

SOURCE: 1980 Census, State Department of Finance (Santa Clara County Population & Housing Estimates, 1/1/80 and 1/1/89) and City of Milpitas Building Inspection Division

Vacancy Rate

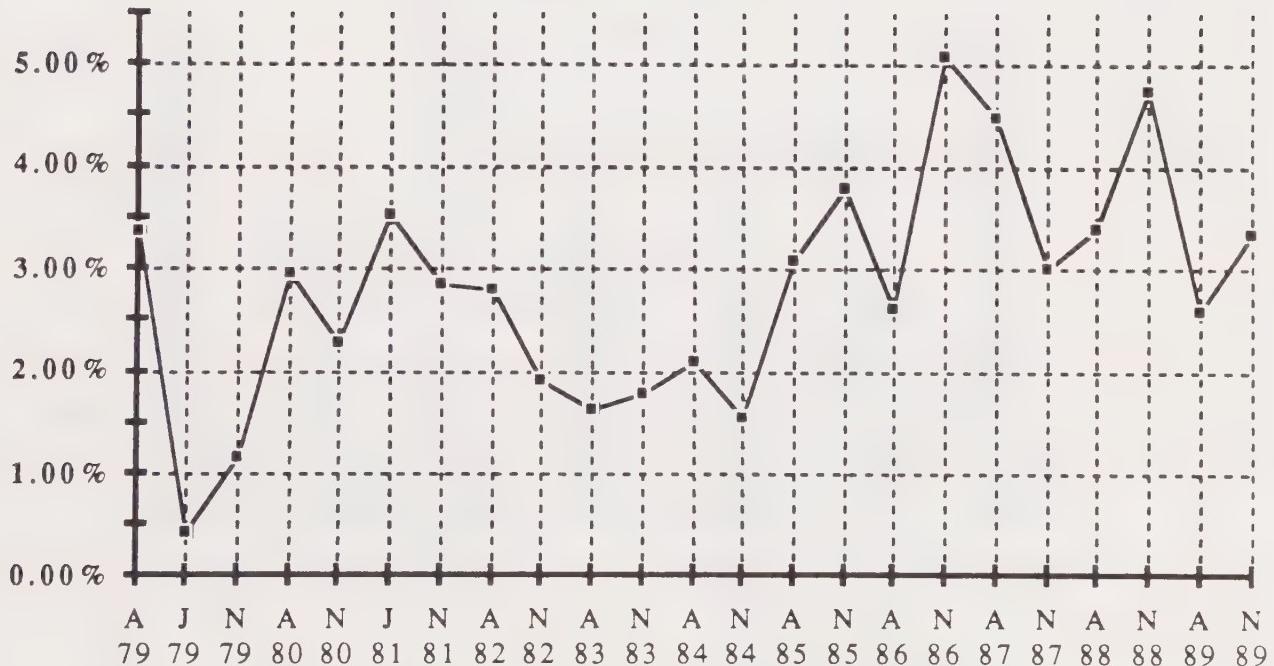
With the South Bay region's growing and changing population in the region has come an increasing demand for housing. In consequence, the residential vacancy rate has historically been very low. In 1980, for instance, the vacancy rate for all types of dwelling units was 2.8%.²¹ This was even lower than the Countywide vacancy rate of 3.2%. Owner-occupied units had a much lower vacancy factor of 0.9% while rental units averaged 3.3% in 1980. The vacancy rate continues to remain low. Twice a year, the City conducts a survey of apartments. As Figure 12 shows, since 1980, the rate has remained at 5% or less with the most recent rate calculated in November 1989 at 3.3%.²²

²¹ 1980 U. S. Census.

²² City of Milpitas, Planning Division, Vacancy Survey Results Summary

FIGURE 14

VACANCY RATE
APARTMENTS, 1979-1989



SOURCE: Milpitas Planning Division

Overcrowding

In 1980, 6% of all occupied housing units in Milpitas were "overcrowded" (i.e. had more than one person per room), while 5% of the total County units were overcrowded. In recent years, the incidence of overcrowding has been related to changes in average household size. As household sizes get smaller, overcrowding also declines. Consequently, with the City's average household size shrinking faster than the County average, it can be expected that the percentage of overcrowded units in Milpitas will tend to be closer to that for the total County. However, it should also be recognized that the incidence of overcrowding may also be affected by the cultural makeup of a community. Some social backgrounds, most notably those of Asian heritage, are known to sometimes have larger extended family households. These households may be classified as "overcrowded" by formal definition but for cultural reasons, they may also be the preferred life style of some families.

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Value

Historically, owner-occupied units in Milpitas have been much less expensive than similar units in other Santa Clara County cities. The trend continues so that in 1988, out of 23 zones, Milpitas ranked 17th in median housing values. Only the Santa Teresa, Evergreen, East Valley, Central, South and Blossom Valley areas of San Jose had lower median prices for single family homes.²³

Four single-family subdivisions built during the 1950's and 60's have probably contributed to low median house values. At the time of their initial sales, the projects were priced significantly below other new single-family developments in the Santa Clara Valley. The location of the four subdivisions of approximately 1,932 dwelling units, are depicted on Map 2. These four developments remain relatively low in price and constitute 14 percent of the City's existing single-family housing stock.

The current housing market, of course, is one marked by multiple soaring price increases. Only recently has the volatile market slowed down from its remarkable price surges during 1988 when home prices throughout Santa Clara County rose 37 percent and in Milpitas rose 29% to \$186,000.²⁴ According to the San Jose Real Estate Board, the median price for an existing single family home in Milpitas sold in September 1989 was \$242,000, a 30% increase since January 1, 1989.

Milpitas' median rent has historically been slightly higher than that for Santa Clara County. In November 1980, for instance, the median rent for a two bedroom apartment in Milpitas was calculated to be \$330 which was 17% higher than the median rent for the County. Continuing the trend in April 1989 the Bay Area Council estimated the median rent for a two bedroom apartment in the "San Jose area" to be \$700.²⁵ During that same month the median rent in Milpitas was estimated to be 7 percent higher at \$750.²⁶

²³ San Jose Real Estate Board, Appreciation Rates for 1988

²⁴ San Jose Real Estate Board, Appreciation Rates For 1988

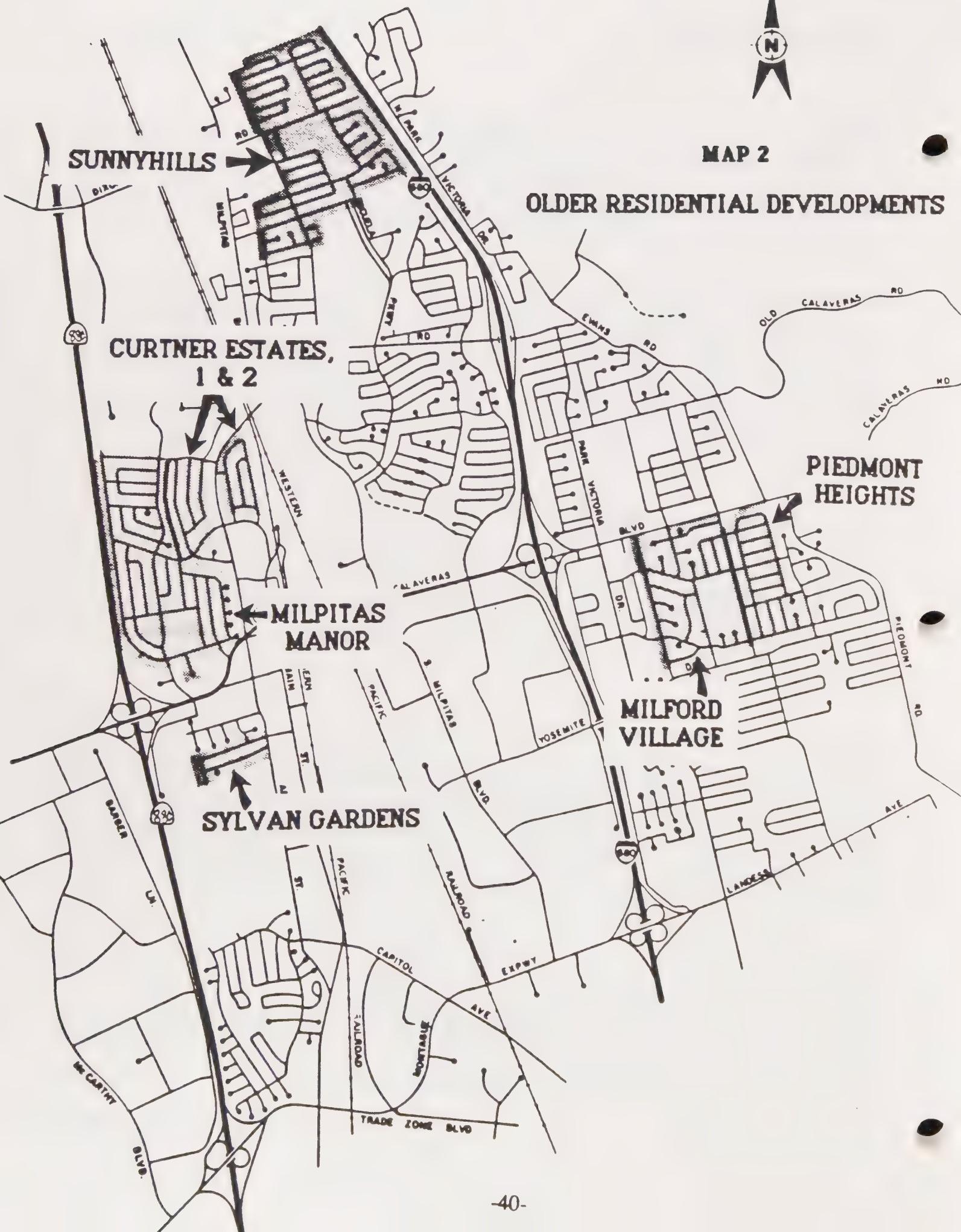
²⁵ Bay Area Council, "Apartment Vacancies Remain Low in 1989, Rents Are Steady", Housing and Development Report, May 1989, p. 3.

²⁶ City of Milpitas, Planning Division, Vacancy Survey, April 1989.



MAP 2

OLDER RESIDENTIAL DEVELOPMENTS



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New Construction

An additional 2,281 new housing units are projected to be built in the valley floor area between 1990 and 1995. Table 3, indicates the amount of remaining undeveloped residential valley floor land by General Plan category. All of the sites presently have, or have the ability to be provided with, essential public facilities and services (i.e., sewer, water, roads, drainage).

TABLE 3

VALLEY FLOOR RESIDENTIAL LAND INVENTORY DECEMBER 1989

GENERAL PLAN CATEGORY	DWELLING UNITS/ ACRE	UNDEVELOPED RESIDENTIALLY DESIGNATED LAND		1990-1995 RESIDENTIALLY DESIGNATED LAND PROJECTED FOR DEVELOPMENT	
		TOTAL ACRES	DWELLING UNIT POTENTIAL	TOTAL ACRES	NO. DWELLING UNITS
Single Family Low	3-5	100	449	69	290
Single Family Moderate	6-15	56	520	56	520
Multi-Family Medium	7-11	18	135	18	135
Multi-Family High	12-20*	81	1334	81	1,334
Total	-	255	2,438	224	2,281

*up to 40 dwelling units per gross acre with special findings and Planned Unit Development approval

Hillside Area

Though it comprises more than 48% of the City's sphere-of-influence planning area, the Hillside Area will not significantly contribute to Milpitas' housing stock. Approximately one-quarter of the Hillside Area is County park land. Various environmental factors, such as geologic hazards (seismic faults and landslide potential), steep slopes and scenic concerns, were influential in determining the City's low density policies for the Hillside.

At the conclusion of 1989, approximately 435 single-family homes were already constructed in the hillside. This includes 250 units consisting of the Weller Ranch and smaller developments located on relatively shallow sloping land generally east of N. Park Victoria Dr. and between the north city limits and El Camino Higuera. Another 375 units can be anticipated in the hillside under the

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present General Plan policies and hillside ordinance. If all undeveloped properties transferred their development potential to the Village Study Area, another 400 hillside homes could be estimated. (However, it is not anticipated that all remaining undeveloped hillside property will transfer their development rights so the bonus potential will realistically be much less than 400 units).

It should be noted that a 17 member Hillside Ordinance Review Committee is currently evaluating the City's existing hillside development policies and regulations. This may result in future changes to dwelling unit yield in the hillside area. Nevertheless, it is expected that housing in the hillside will continue to be large single family homes and high income households.

SECTION 5

HOUSING NEED

CONDITION OF EXISTING HOUSING STOCK

Before considering the economic-related housing needs of Milpitas residents, the physical needs of the local housing stock should be taken into consideration. The best source of information on this subject is the 1988-91 Housing Assistance Plan (HAP) prepared by the City as required for participation in the Federal Community Development Block Grant Program (CDBG).

As illustrated in Table 4, the HAP estimates 275 dwelling units are in substandard condition and in need of rehabilitation. Fifty-two percent, or 142, of these units are estimated to be occupied by lower income households (less than 80% of the County median income as determined by the Federal Department of Housing & Urban Development.)

TABLE 4

DWELLING UNITS NEEDING REHABILITATION

	LOWER INCOME*	OTHER INCOME**	TOTAL
Owner	63	60	123 (45%)
Renter	79	73	152 (55%)
Total	142 (52%)	133 (48%)	275 (100%)

*Lower Income = Less than 80% of County Median Income

**Other Income = More than 80% of County Median Income

Source: Milpitas Housing Assistance Plan, 1988-1991

HOUSING NEED

SHELTER COSTS COMPARED TO INCOME

In assessing the local housing need, particular concern should be addressed to the problems encountered by lower income households. Households in this income category are especially vulnerable to high housing costs which require a substantial portion or even most of the household income. As previously discussed in Section 3, it is felt that households at this lower end of the income range are particularly hard-pressed if they are required to pay more than 25 or 30 percent of their income for housing.

In 1980, the following information was provided by the U.S. Census reflecting the percentage of income spent on owner and renter housing costs:

TABLE 5

HOUSEHOLD INCOME BY SELECTED MONTHLY HOUSING COST AS A PERCENTAGE OF INCOME OWNER OCCUPIED

% OF INCOME	INCOME					TOTAL
	\$0 - \$4,999	\$5,000 - 9,999	\$10,000 - 14,999	\$15,000 - 19,999	\$20,000 +	
0 - 19 %	0	47	93	252	2,819	3,211 (48 %)
20 - 24 %	6	22	24	75	870	997 (15 %)
25 - 34 %	7	16	84	160	1,159	1,426 (21 %)
35 % +	132	130	136	177	448	1023 (16 %)
Not Computed	15	0	0	0	0	0

SOURCE: 1980 U.S. Census, sample data

HOUSING NEED

TABLE 6
HOUSEHOLD INCOME BY GROSS RENT
AS PERCENTAGE OF INCOME
RENTER OCCUPIED

% OF INCOME	INCOME					TOTAL
	\$0 - \$4,999	\$5,000 - 9,999	\$10,000 - 14,999	\$15,000 - 19,999	\$20,000 +	
0 - 19 %	9	27	7	48	714	805 (27 %)
20 - 24 %	0	18	95	142	334	589 (19 %)
25 - 34 %	18	29	211	206	234	698 (23 %)
35% +	236	312	261	97	25	931 (31 %)
Not Computed	37	2	4	5	42	0

SOURCE: 1980 U.S. Census, sample data

As indicated in Table 5, 1,023 or 16% owner households in 1980 paid more than 35 percent of their income for shelter costs (excluding those households not computed). With the addition of those households paying more than 25 percent of their income, the estimates would rise to 2,449 or 37%. For renters, (Table 6) those paying greater than 35% amount to 931, or 31%. With the addition of those paying 25% or more, the figure would be 1,629 or 54%. The combination of owner and renter households paying more than 35% and 25% of their income for housing costs would be 1,954 or 20%, and 4,078 or 42%, respectively.

HOUSING NEED

OVERCROWDING

The 1980 census indicates that 734 dwelling units in Milpitas, or 6.3% are overcrowded. A house is considered overcrowded if there are more than 1.01 persons per room.²⁷

SPECIAL HOUSING NEEDS

The Milpitas Housing Assistance Plan (HAP) for 1988-1991 identifies the following special housing needs:

1) Seniors

City staff estimates, based on 1980 census information, indicate that approximately 5.8%, or 2,693 residents, are 60 years of age or older. 400, or 15%, of those residents live in the three major mobile home parks located in the north side of the City. The median age for the mobile home park population in 1980 was 64.1 while, City-wide, the median age was 26.7. In addition, the median income of the mobile home parks was \$9,795 or 39% less than the City side median of \$24,908.

2) Disabled

According to the 1988-91 HAP, there were approximately 486 disabled individuals living within City boundaries. The HAP describes the special housing needs of the disabled as ongoing and requiring unique modifications to their homes to provide mobility through the installation of ramps, bars and other specialized equipment.

3) Renting Families

City staff estimates that as of January 1, 1989 there were 1,546 households headed by a single individual with dependent children under 18 years of age in Milpitas. Assuming that the incidence of single mothers has not increased since 1980, 1,237, or 80%, of these households were headed by a female.

4) Racial/Ethnic Minorities

According to the 1988-91 HAP, there were 227 low income racial minority households in substandard housing in Milpitas. 131, or 58%, of these households are renters while the remaining 96, or 42%, are homeowners.

²⁷ Does not include bathrooms, porches, balconies, foyers, halls or half-rooms.

HOUSING NEED

FAIR SHARE ALLOCATION

State legislation requires local governments, to consider not only the housing needs of the current residents , but to also make adequate provision for a "fair share" of the housing needs of all who might reasonably be expected to live within the jurisdiction where a variety and choice of housing appropriate to their needs is available.

The State has required the regional Council of Governments, the Association of Bay Area Governments (ABAG), to prepare a Fair Share Allocation Plan for the Bay Area.²⁸ ABAG's plan, Housing Needs Determinations, January 1989, provides a basis for all localities to share equitably in responding to the housing needs of the bay area. The allocations for each City are based on estimates of the existing and projected number of housing units needed. These estimates are broken down into the type of housing needed (single-family, multi-family and mobile homes), the tenure of the needed units (whether the housing is occupied by owners or renters) and the expected and projected housing needed by income levels.

The methodology required by State law and followed by ABAG to determine the regional housing needs took into consideration market demand, employment characteristics, including employment projections, site availability, public facilities, commuting patterns and the type and tenure of housing need. In accordance with an interpretation from the Attorney General's office, ABAG also factored into their projection "alternative zoning." That is, the need for residential development to occur that would require a change in local government policies and/or zoning. "Alternative zoning" is intended to address the imbalance between new jobs projected to be created in the Bay area and housing production to shelter the new workers. According to ABAG, more than one million new jobs will be created in the Bay Area between 1985 and 2005. However, under current land use plans and policies only 850,000 of those new workers will find a home in the Bay Area. Another 45,700 new housing units are needed to house those employees.²⁹

Milpitas has historically been a "bedroom" community. Up until 1985 Milpitas exported workers. As previously mentioned, Milpitas' job market is expected to continue to outpace housing construction. Another 10,690 new jobs in Milpitas

²⁸ Chapter 1143, Statutes of 1980; AB 2853.

²⁹ Association of Bay Area Governments, Housing Needs Determinations, January 1989, pp. 23-24.

HOUSING NEED

have been projected between 1990 and 1995.³⁰ In calculating the "alternative zoning" need ABAG's methodology takes historical trends, for providing housing prior to 1985, into account. As a result, Milpitas' "alternative zoning" need was reduced from 2,972 to 1,929 units.

As Table 7 indicates, ABAG estimates the existing (1988) number of dwelling units needed in Milpitas to be 55. ABAG also projects that with "alternative zoning" factored in, at least 5,638 new homes will need to be constructed within City limits by 1995. It should be noted that of the 15 cities in Santa Clara County Milpitas has the second highest need projected by ABAG. Only San Jose (at 37,633) exceeds the total projected need of 5,638 dwelling units for Milpitas. The high estimate for housing need under the "alternative zoning" scenario is based primarily on the previously discussed employment projections and ABAG's granting of partial credit for the City's role as a bedroom community. However, it is evident that the communities most affected by this methodology are those that will be experiencing new job growth that will exceed residential growth. No special need was factored in for communities with existing jobs/housing imbalances and had already experienced job growth exceeding residential growth in the past (e.g., Palo Alto, Santa Clara, etc.).

Table 7
MILPITAS FAIR SHARE OF REGIONAL HOUSING NEED

EXISTING NEED* 1988	PROJECTED NEED* 1988-1995	PROJECTED NEED* WITH ALTERNATIVE ZONING 1988-1995
55	3,709	5,638

NEEDED		
SINGLE FAMILY UNITS	MULTI-FAMILY UNITS	MOBILE HOME UNITS
4,341	1,128	169

³⁰ Association of Bay Area Governments, Projections '90, December 1989, p. 239.

HOUSING NEED

NEEDED OWNER OCCUPIED UNITS	NEEDED RENTER OCCUPIED UNITS
4,059	1,579

PROJECTED HOUSING NEED BY INCOME CATEGORY			
VERY LOW	LOW	Moderate	Above Moderate
958	846	1,240	2,594
17%	15%	22%	46%

* "Need": Net addition to available stock. Projected Need includes existing need.

****Household Income categories are based on percentage in relation to regional median income:**

Moderate Income: between 81 and 120%

Above Moderate Income: 121% and above

Source: Association of Bay Area Governments, Housing Needs Determinations, January 1989

If the City desires to maintain its 1980 distribution of dwelling units by tenure then of the total 5,638 dwellings needed by 1995, 4,059 (72%) should be owner-occupied while the remaining 1,579 (28%) should be rentals. Assuming the same 1980 distribution by housing type, 4,341 (77%) should be single-family homes, 1,128 (20%) in multi-family structures and 169 (3%) should be mobile homes.

Also indicated in Table 7 is a breakdown of housing needed by income categories for the households the housing should serve. ABAG averaged 1980 census income distributions for Milpitas with those of the San Francisco bay region. The results of these calculations indicate that Milpitas should be making efforts to provide housing for an additional 958 very low income households and 846 low income households. In addition, the City is also responsible for housing needed by 1,240 moderate income families and 2,594 above moderate income households by 1995.

In reporting the region's housing need, ABAG stated that "Local housing elements, and local programs adopted by local governments, are not required to "meet" the identified housing need. But State law does require a sustained and serious attempt to address housing needs."³¹ In addition, State legislation governing the content of the Housing Element indicates that the total housing need identified by the community, including the City's share of the regional housing need, may exceed the locality's available resources and abilities within

³¹ Association of Bay Area Governments, Housing Needs Determinations, January 1989, p. 25.

HOUSING NEED

the context of the General Plan. In such a case, State law notes that quantified goals do not have to match the identified needs.³² However, the City must determine the housing that can be realistically met over a five-year period. The Milpitas housing programs, with quantified goals, intended to meet local housing needs, are discussed in the final section "Housing Program Implementation," of the Housing Element.

HOMELESS

No counts of homeless persons in Milpitas are available nor are there any known areas or facilities where the homeless congregate or seek shelter on a regular basis. However, the Milpitas Housing Service Center estimates that it will usually assist one to two individuals or families each week--especially during the cold weather season (September to March)--with locating short or long term shelter. Approximately half of these requests for assistance come from single mothers, generally with younger children. Ten to fifteen percent of the requests are also from families with two adults and the remainder from childless adults.

In addition, the Emergency Housing Consortium reports in their 1990-1991 Community Development Block Grant Application that in fiscal year 1988-1989 they provided 781 shelter nights to 50 different homeless Milpitas residents. They anticipate providing a minimum of 500 shelter nights for 40 to 50 low income homeless Milpitas residents for fiscal year 1990-1991.

There are no emergency shelters in town though the Housing Service Center will assist by referring individuals to other service agencies. Some agencies are private local churches who may coordinate reduced rates at local motels or assist in other ways. Public agencies and facilities, such as the Emergency Housing Consortium, are located outside Milpitas but have received, and will continue to receive, funding from the Urban County of which Milpitas is a member. (Also refer to Section 9 "Housing Program Implementation" for more detail regarding the Urban County).

In 1987, a transitional housing facility for women suffering from abusive spouses, was established in Milpitas by Community Housing Developers, a nonprofit housing corporation. With 19 apartments, approximately 38 families have received long term shelter and assistance under the WATCH program (Women and Their Children Housing). An estimate of the number of clients originating from Milpitas is not available. As indicated in Section 8 "Program Evaluation", Milpitas provided a low-interest loan of \$50,000 in block grant

³² Government Code Section 65583 (b)

HOUSING NEED

funds and also \$60,000 in grants to assist Community Housing Developers acquire and rehabilitate the apartment buildings.

ASSISTED RENTAL HOUSING AT RISK

State law enacted in 1989 (SB 1282; Chapter 1451) requires that Housing Elements provide an analysis of all existing housing developments, that provide low-income housing through government assistance, which will be eligible to convert to higher income housing during the next ten years. In Milpitas, there is only one qualifying development. The Sunnyhills Apartments, at 1724 Sunnyhills Drive, was built under the Federal Section 236 program and currently provides 171 dwelling units for lower income residents. In August 1988 the Section 8 Housing Assistance Payments Program contract was renewed with the U.S. Department of Housing and Urban Development for a five year period. The contract will expire in July 1993.³³

It would cost over 15 million dollars to replace the Sunnyhills Apartments by a new project of comparable size.³⁴ The cost of maintaining the existing project in the Section 8 program beyond the 1993 contract expiration date cannot be reliably estimated at this time. Methods to preserve the housing could range from providing financial incentives for the present owner to renew the contract when it expires to outright acquisition and operation of the project by another agency such as a non-profit housing corporation. A number of these corporations exist in the Bay Area and may include Community Housing Developers, San Jose Development Corporation and BRIDGE.

Funding sources for attempts to preserve the Sunnyhills Apartments as low income housing could include Community Development Block Grant (CDBG) funds and redevelopment monies. However, CDBG funding every year is limited and could only assist with a very small percentage of the project's acquisition costs. In addition, CDBG funding would have to be redirected from other on-going programs (such as housing rehab), effectively closing down those programs. As mentioned in Section 9 "Program Implementation", there are no redevelopment funds available as they have been obligated for the next five year period. Other potential funding sources might be found in the private sector from banks or savings and loans institutions.

³³ Housing Assistance Payment Contract Renewal, signed November 17, 1988 by HUD.

³⁴ Land cost \$4,500,000 and building cost \$10,500,000. Estimates do not include such items as financing costs, design and planning fees, improvement construction or environmental mitigation costs, etc.

GOVERNMENTAL CONSTRAINTS

SECTION 6

GOVERNMENTAL CONSTRAINTS

The provision of affordable housing within a community can sometimes be constrained by local agency regulations and procedures such as inflexible or excessive zoning regulations (i.e. large minimum lot sizes), high fees or amenity standards or a lengthy approval process. However, most (if not all) existing governmental constraints are valid responses to public concerns, such as:

- a) Furthering community planning objectives, such as the allocation of appropriate densities, preservation of environmental quality or provision of adequate recreational or public facilities.
- b) Providing time for adequate staff review and analysis and for public comment on proposed developments.
- c) Conforming with State law regulating planning and environmental review procedures.
- d) Budgeting/financial concerns which affect staffing levels or the thorough review and processing of permits.

It should also be noted that even if an agency were to effectively eliminate those regulations and procedures that act to constrain the development of housing opportunities, this would not necessarily result in the provision of more affordable housing.

MILPITAS EFFORTS TO MINIMIZE CONSTRAINTS

The City of Milpitas has been a leader among South Bay communities in providing housing affordable to all segments of the population. This suggests that Milpitas has, through its development controls and approval processes, minimal governmental barriers to the provision of wider housing choice. The following points will illustrate the types of constraints that do not exist in Milpitas as well as the steps the City has taken to mitigate government constraints.

GOVERNMENTAL CONSTRAINTS

1. The City does not have unreasonable density limitations. The General Plan and Zoning Ordinance provide for a wide variety of housing types and densities ranging in the valley floor area from single-family units on 10,000 square foot lots to apartment units at densities up to 40 units per gross acre. Furthermore, there are no minimum floor area requirements for any of the residential zones.

2. Milpitas does not maintain rigid inflexible development standards on residential projects. The Planned Unit Development (P.U.D.) procedure helps reduce constraints that may be imposed by zoning standards on housing projects by allowing variation in the following areas:

- a) Setbacks can vary to allow clustering or commonly-owned open space.
- b) The City's PUD policies effectively provide moderate to large increases in dwelling unit density over conventional subdivision yields (e.g. a standard "R1-3" subdivision -- minimum 3000 sq. ft. lot size -- usually generates 7 to 8 units per gross acre, while with PUD approval as much as 10 units per acre can be approved.)
- c) The street widths can be reduced from the usual City standards.
- d) Open space provided within a PUD for use by the project residents is deducted from the required park dedication. Alternately, the minimum lot size requirements can be reduced when a PUD provides excess park or useable open space areas (e.g. Parktown and Starlite Pines PUD's).
- e) The City's PUD process can provide for mixed-use developments, where moderate to high density housing is integrated with industrial or commercial uses, such as the Cadillac-Fairview Business Park.
- f) There is no minimum project area requirement for a PUD application.

3. The City does not have a "growth management program" that might act to limit the rate of housing development.

4. Since there is no inconsistency between zoning and the General Plan in Milpitas, there is no problem of the General Plan allowing higher densities than the Zoning Ordinance.

5. The City does not impose an excessive amount of application processing time and related delays on residential projects. For example, it is quite possible for small to medium sized projects (up to 50 or even 100 units) to receive final zoning and tentative map approval within three months of submittal of a complete application (larger projects, or ones in potentially significant environmental areas, may take longer due to the probability of an Environmental Impact Report being required).

GOVERNMENTAL CONSTRAINTS

EXISTING CITY CONSTRAINTS

Governmental constraints to increasing the supply of affordable housing do exist in Milpitas. While not all can be eliminated by City action (such as the delays required by State law for environmental review and public notice of hearings), many could be mitigated. However, as noted above, invariably the elimination of any constraining regulation or procedure will have "costs" (financial or otherwise) associated with it. Often those costs may be of more significance to a community than the indirect benefit of removing a (perhaps minor) barrier to affordable housing. The most significant governmental constraints in Milpitas are listed below, along with discussions of any trade-offs involved with their removal.

1. Maximum Density: The City's established land use policies do not allow housing projects at densities greater than 40 units per gross acre. Further General Plan & Zoning Ordinance amendments to increase the maximum density are unlikely. Residential projects, with densities higher than 40 units per acre, are regarded as too intense in a small suburban community such as Milpitas. Furthermore, it is probable that specific proposals to increase the maximum density would meet with considerable opposition from the affected residents.
2. Development Review: All multi-family and single-family moderate density residential projects are required to have architectural and site plans reviewed by the Planning Commission. This procedure can incur additional expense and delays for the developer. This also indirectly constrains the development of more affordable housing, inasmuch as it introduces the possibility of the City requiring architectural improvements and project amenities as conditions of approval (thus adding to the market price). However, the "cost" to the City (and especially to neighboring property owners) is that without a review process new developments might be poorly designed or inappropriately sited on the property.
3. Public Facilities & Services: Water supplies and sewer treatment capacity (and any other utility capacity) are not presently a constraint to housing construction in Milpitas. (Though during drought years, reduced water use has been required of existing and new residents). However, there is a possibility that the City's treatment capacity allocation and/or guaranteed water supply could be used up prior to buildout of the City, if the number of particularly high-water using industries in Milpitas increases significantly. A future expansion of the San Jose/Santa Clara Water Pollution Control Plant will be necessary to meet the buildout needs of Milpitas and other South Bay cities. This is not expected until after 1995. The timing and the amount of need will be influenced by water

GOVERNMENTAL CONSTRAINTS

conservation programs. The City will also be providing, in 1991, an alternate source of water for non-residential uses, through the Santa Clara Valley Water District. The City also continues to encourage water conservation, in part through implementation of several Landscape Conservation guidelines.

4. Park Fees: In conformance with the goals of the City's Open Space and Conservation Element, all residential subdivisions are required to dedicate open space for park land. In lieu of dedication, a developer may pay a fee equivalent to the area required for dedication times the per acre purchase price of the project site. The amount of open space is based on the number of proposed dwelling units with a goal of providing 5 acres of parkland for every 1,000 Milpitas residents. In 1989, 693.04 square feet of land must be dedicated for each residential unit. This is a reduction from the park dedication requirement in 1984 of 805.9 square feet per dwelling unit and is due to the nation and local trend toward reduced household sizes (as discussed in Sections 3 and 4). The resulting savings in park dedication requirements to the developer should indirectly have a small effect on the ultimate purchase price of new homes. However, any elimination or reduction of the park fee requirement would reduce the amount of open space planned for the City and require a major change in City policy regarding the provision of local recreational facilities.

5. Permit Approval Process: The time spent by an applicant processing a development project through the local government's permit approval process can add to the cost of the project. However, the permit process in Milpitas is relatively streamlined and the time required for staff review of a project is essential to ensure compliance with State requirements for permitting (CEQA, and Title 24 for example), design standards to meet local development goals and needs and the Building Code to provide safe and efficient construction standards. Reducing the comprehensiveness and time required for staff review, without a concurrent increase in staff or prioritizing of housing projects over commercial and industrial projects, could result in lesser quality developments and fewer opportunities for public participation in the planning process.

6. Hillside Area: Public policy and the Zoning Ordinance constrains Hillside density and design considerations due to concerns for safety (geologic hazards), environmental protection (minimize grading, maximize open space and protection of ridgelines) and aesthetics (units to blend with natural setting and location in Scenic Corridor). Consequently, the Hillside Area is limited to a maximum of 800-1200 dwelling units at ultimate development. Moreover, planned public utilities (i.e. sewer and water) would require costly and difficult changes to the systems if the number of Hillside dwelling units were substantially increased in the future.

GOVERNMENTAL CONSTRAINTS

7. On-Site and Off-Site Improvements: On-site improvement requirements in Milpitas are comparable with other nearby cities. On-site improvements include landscaping, quality of building materials, requirements for covered parking, etc., all of which may be classified as private property improvements. The quality and nature of these improvements is determined by the Zoning Ordinance and the site and architectural review process.

Off-site improvements include streets, street lighting, curbs, sidewalks, etc. which are within the public domain. Such improvements may be required not only for the frontage of the specific property to be developed, but also at some distance from the development site (to provide traffic control devices at a street intersection in the vicinity, for instance). Milpitas has required developers to pay for such improvements, following the City's philosophy that new development should pay its own way. This requirement, however, has only been to the extent necessary to accommodate the development's proportional contribution to the need. The elimination or reduction of on-site and off-site improvements could affect project design and construction quality or require the City to cover the entire cost of required public improvements.

8. School District Impact Fee: State law allows the Milpitas Unified School District to impose a school impact fee on new residential and non-residential development in the City. The fee is intended to help mitigate the impact of new development on the school district. Under State law the City has no control over the amount of the fee or the criteria used in setting and collecting the fee.

9. Regional Traffic Congestion: Regional traffic congestion has spilled over and impacted the City's local street system. It not only has affected major arterials (i.e., Calaveras Boulevard & Montague Expressway) but has increased traffic in residential areas (i.e., Abbott Avenue) as commuters attempt to find alternative routes. Traffic impacts can increase the cost of a new residential development (i.e., necessitating traffic studies or requiring improvements to accommodate the project that may not have been needed if there was not as much traffic on affected streets). Traffic impacts could also be the deciding factor in whether residential development is appropriate. For instance, severe traffic congestion may isolate a site from other residential neighborhoods, commercial areas and emergency services.

The traffic congestion found in Milpitas originates outside city boundaries and funnels through the local street system as employees attempt to reach their work and home destinations. The congestion in Milpitas is the result of past land use and transportation planning decisions by other local and regional agencies.

GOVERNMENTAL CONSTRAINTS

The policies and actions of those agencies continue to exacerbate traffic congestion within our City limits. Thus, traffic congestion is not a constraint that Milpitas alone can eliminate (though the City continues to fund and pursue improvements). Only through cooperation and funding commitments from other agencies can improvements to traffic congestion be addressed.

HOUSING CONCERNS AND GOALS

SECTION 7

HOUSING CONCERNS AND GOALS

CONCERNS

The City of Milpitas during its early and middle development phases (mid-1950's through the early 1970s) was a leader among the South Bay area communities in providing housing, both assisted and unassisted, that was affordable to low- and moderate-income households. In accordance with the family-oriented character that has been established in the City (due partly to its past location outside the primary urban employment and service centers), the majority of those units were owner-occupied, both low density single-family homes as well as high density townhouses and condominiums. As mentioned in Section 4, "Community Profile", Milpitas still has one of the lowest median housing values in Santa Clara County.

The City is presently entering into its last residential growth stage: that of infilling large and small areas encircled by existing developments. In this mature phase, Milpitas will be experiencing an increase in the proportion and number of medium and high density units, thus increasing the supply of housing types generally utilized by lower income households. In conjunction with the arrival of this final major growth phase, the City is also facing serious traffic congestion problems and is attempting to provide a balance of residential, commercial and industrial development. Therefore, efforts to address local and area-wide housing problems must be designed to work with, rather than against, these other major concerns.

It appears that a primary reason for much of the traffic congestion in Milpitas stems from the City's location as a connecting node of intra-regional freeways and expressways. Major streets funnel commuters from large residential areas north and south of Milpitas to employment centers to the west.

Beside traffic considerations, it is important to have a balance of low, middle and premium priced housing both within a City and within a region. Since most of the housing built in Milpitas in the past were low and middle priced units, the

HOUSING CONCERNS AND GOALS

remaining single-family units must be of a high quality and price in order to achieve the desired balance.

Above all other considerations, however, the City has a responsibility to existing residents to preserve the character and amenities of Milpitas that first attracted them here. Therefore, it would be inappropriate for the City to adopt housing policies that would further aggravate problems in other areas (such as the effect of increased densities on existing traffic congestion).

GOALS

The City of Milpitas recognizes that cooperative efforts by all related public and private participants in the realm of housing will be required to alleviate present and future housing problems. The City also subscribes to the belief that programs and policies for housing must be consistent with good planning principles and environmental concerns.

**GOAL 1: TO ENCOURAGE THE PROVISION OF
DECENT HOUSING FOR ALL PERSONS, REGARDLESS
OF AGE, INCOME, RACE OR ETHNIC BACKGROUND,
SEX, MARITAL STATUS OR OTHER ARBITRARY
FACTORS.**

POLICY 1: To continue to encourage the provision of equal housing opportunities for all Milpitans.

ACTIONS:

- A. Continue to coordinate with and refer citizens to fair housing service agencies.
- B. Continue to consider requests by fair housing service agencies for funding under the City administered Human Services Policy and the Community Development Block Grant program administered by the Urban County (of which Milpitas is a member).

HOUSING CONCERNS AND GOALS

POLICY 2: To eliminate housing deficiencies and prevent future blight through conservation, reconstruction and removal.

ACTIONS:

- A. Continue to marshal all available sources of public and private funding, for low interest housing rehabilitation loans for low and moderate income families.
- B. Continue to maintain a program of positive code compliance to eliminate hazardous and nuisance conditions in neighborhoods.

POLICY 3: To encourage the County Housing Authority (CHA) and the income families to insure that all persons, regardless of income, can afford decent housing.

ACTIONS:

- A. Encourage the CHA to continue its program of identifying property owners who are willing to rent their property to low and moderate income families who receive CHA assistance.
- B. Study the need and feasibility of preserving the Sunnyhills Apartments as a source for low income housing when their Housing Assistance Payment Program contract expires in 1993.

POLICY 4: To continuously review and update City building codes incorporating modern construction techniques and materials to encourage water, sewer and energy conservation, assist crime and fire prevention, and improve seismic safety.

ACTIONS:

- A. To insure a long, useful life for the housing stock of our community, maintain the existing Code Review Committee to monitor and recommend revisions to City building codes to insure the most up-to-date and effective techniques and regulations are utilized.
- B. Employ an adequate number of qualified building inspectors and provide them with ongoing training.

HOUSING CONCERNS AND GOALS

- C. Maintain an aggressive inspection program of homes and businesses to insure code compliance.
- D. Encourage the State and the Public Utilities Commission to provide appropriate financial incentives for retrofitting existing buildings for energy conservation and seismic safety.

POLICY 5: To develop programs by which the cost of housing can be reduced to middle income families.

ACTIONS:

- A. When permissible under State and Federal law, continue to provide the opportunity and ability to sell mortgage revenue bonds or other purchase assistance techniques to finance mortgages at reduced interest rates.
- B. Continue to work with local lending institutions to develop new financing methods, such as equity sharing, variable interest rates, etc. to help reduce the cost of home financing.
- C. Explore ways of providing incentives to reduce the cost of new housing such as density bonuses or interior design modifications.

POLICY 6: To pursue all available means of providing affordable housing for senior citizens.

ACTIONS:

- A. Continue to explore opportunities to provide senior housing through Federal and State grants , tax increment revenue from redevelopment areas and other funding sources and program options.
- B. Continue to seek funding for a mobile home rehabilitation loan or grant program.
- C. Continue to maintain the mobile home park rent disputes ordinance.

HOUSING CONCERNS AND GOALS

GOAL 2: TO ENCOURAGE THE PROVISION OF A VARIETY OF INDIVIDUAL CHOICES IN HOUSING TYPE AND LOCATION

POLICY 1: To use zoning for new residential developments to encourage a variety and mix in housing types and costs.

ACTIONS:

- A. Include this policy within the Land Use Element of the General Plan.
- B. Geographically disperse similar development types throughout the community so that denser districts are not concentrated within a single area of the City.

POLICY 2: To use zoning in ways which will consider the location of housing in close proximity to new industrial developments which can be served by existing City services and facilities.

ACTIONS:

- A. Encourage General Plan Amendments for residential uses, where environmentally acceptable, to help reduce the jobs/resident workers imbalance.
- B. Continue to consider increased housing densities near commercial or industrial areas that can be served with existing City services.
- C. Continue an active role on the Golden Triangle Task Force and its endorsement of related policies to encourage residential development.

HOUSING CONCERNS AND GOALS

POLICY 3: To plan for housing construction adequate to provide for future populations and for replacement needs, consistent with community goals.

ACTION:

- A. Review replacement housing to insure that it is compatible with the existing neighborhoods and does not stress existing City facilities.

**GOAL 3: TO ESTABLISH, MAINTAIN AND
ENHANCE THE CHARACTER, QUALITY AND
LIVABILITY OF RESIDENTIAL AREAS**

POLICY 1:

To provide a sufficient level of City services to maintain the existing livability of residential areas.

ACTIONS:

- A. Maintain the level of City services to sufficiently protect people and property from crime, fire and other conditions detrimental to the well-being of the neighborhood; maintain City streets and parks so that they are safe and clean; provide potable water and proper drainage of storm water; remove liquid and solid wastes; and insure that people have the reasonable use and enjoyment of their property.
- B. Continue to develop incentives, including financial incentives, to encourage property owners to maintain their property in an aesthetically pleasing condition.
- C. In hillside areas, emphasize standards that protect City infrastructure (streets, water, sewer and storm drain lines, etc.) from geologic hazards.

HOUSING CONCERNS AND GOALS

- D. Continue to vigorously enforce the requirements of the Hillside Ordinance particularly as they apply to the determination and analysis of geologic hazards and the prohibition of construction in geologically unstable areas.
- E. Continue to pursue the completion of the Parks, Recreation and Cultural Arts Commission's needs study on Parks, Open Space and Recreational Facilities. Establish a schedule for periodic review and update of the study to identify and address the City's ongoing park needs.

POLICY 2:

To encourage sufficient open space and recreational opportunity within neighborhoods to provide for the needs of residents.

ACTIONS:

- A. Continue to require dedication of land for open space uses or in lieu cash contributions.
- B. Encourage the construction of privately owned and maintained open space and recreational facilities where feasible.
- C. Continue to monitor the adequacy of existing park dedication requirements.

POLICY 3:

To encourage the use of garages and driveways for parking and thereby improve the appearance of the neighborhood.

ACTIONS:

- A. Insure that new residential development has sufficient off-street parking.

HOUSING CONCERNS AND GOALS

GOAL 4: TO INSURE THAT FUTURE RESIDENTIAL DEVELOPMENT ENHANCES THE OVERALL CHARACTER OF THE COMMUNITY

POLICY 1: To encourage high quality site and architectural design for new residential projects.

ACTION:

- A. Continue to encourage the use of Planned Unit Development applications to encourage imaginative project design while addressing the needs of the community.

POLICY 2: To ensure environmental impacts, such as traffic, from new residential projects are insignificant or have been reduced to insignificant levels.

ACTIONS:

- A. Continue to implement the California Environmental Quality Act to provide the Planning Commission and City Council with comprehensive information on a project's environmental impacts.
- B. Implement all required mitigation measures and establish a mitigation monitoring program in accordance with State law.
- C. Continue to pursue local policies and actions, and encourage the policies and actions of outside agencies, that will lead to improvements in traffic circulation.

HOUSING PROGRAM EVALUATION

SECTION 8

HOUSING PROGRAM EVALUATION

PAST HOUSING ASSISTANCE

Relative to its size, there has been considerable amount of housing assistance provided for Milpitas residents in the past. This previous activity has been summarized in the following table:

TABLE 8

HOUSING ASSISTANCE IN MILPITAS UP TO DECEMBER 1989

HOMEOWNER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Section 235, single-family detached	45
Section 235, town house and condos	326
Section 221-d-3, single-family detached cooperative	65
CDBG Rehabilitation (since 1977) single-family detached	91
Total assisted units	528

RENTER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
<i>Community Assistance:</i>	
Section 236 (Sunnyhills Apts.)	171
Rental rehabilitation (with Moderate rehab)	35
New Construction (Redevelopment Agency)	150
<i>Rental Subsidy:</i>	
Existing Section 8 rent subsidies	151
Total assisted units	492

OTHER ASSISTANCE

<u>Program</u>	<u>No. of Units</u>
Incentive grants	43
Smoke detectors	400
Bank of America home improvement grants	115
Total assisted units	558

Source: City of Milpitas, Community Assistance Division

HOUSING PROGRAM EVALUATION

PROGRAM PERFORMANCE

The Housing Element's most recent update was in November 1984. At that time goals for a five year housing program were established. Following is a discussion of those goals and the city's progress toward achieving them.

Fair Share

TYPE OF UNITS NEEDED	PREDICTED 1980-1990	PERFORMANCE (% OF GOAL MET)
Total Units	3,972	3,840 (97%)
Single Family	3,054	3,374 (110%)
Multi-Family	779	466 (60%)
Mobile Homes	139	0 (0%)
Owner Occupied	2,856	3,374 (118%)
Renter Occupied	1,116	466 (42%)
Occupant Income:		
Very Low	675	163 (24%)
Low	596	303 (51%)
Moderate	874	476 (54%)
Above Moderate	1,827	2,898 (159%)

NOTE: Estimates for owner/renter occupied are conservative and do not factor in rentals in single family projects.

As discussed in previous sections, the Milpitas community is located in an area of high housing costs. With a limited land supply, and a seemingly insatiable market demand for larger single family homes, the development of new dwellings affordable to lower income households is not financially feasible through the private sector. Only through some variety of public assistance can new low income units be built. As discussed later in this section, Milpitas has provided funds for 150 new rental units for lower- and moderate income seniors and has also provided funds to assist in the acquisition and rehabilitation of 31

HOUSING PROGRAM EVALUATION

apartments for lower-income households. Also, as discussed in Section 9 "Program Implementation", the City adopted an ordinance regulating the conversion of mobile home parks to alternative uses. The ordinance contributes to the conservation of the 521 existing mobile homes in three mobile home parks.

In 1985 the City of Milpitas participated in the creation of the Golden Triangle Task Force. The Task Force is intended to tackle transportation problems in Santa Clara County's Golden Triangle area. It is a cooperative effort at regional planning and its membership is composed of local jurisdictions. (Presently Milpitas, Mountain View, San Jose, Sunnyvale, Palo Alto, and Santa Clara County). In May 1986 Milpitas affirmed its support of the Golden Triangle Strategic Plan, Phase 1 and its commitment of 2,400 new dwelling units. It pursued a General Plan Amendment (1987-3) intended to produce additional housing through increased densities and conversion of non-residential land to residential uses. After review of environmental factors and other planning considerations, 72 acres of Industrial Park property was redesignated Multi-Family High (1987-3a) and 15 acres of Multi-Family Medium was changed to Multi-Family High (1987-3b).

Including the two City initiated changes mentioned previously, during the five year period (January 1, 1985 to December 31, 1989) Milpitas approved the redesignation of 218 acres of nonresidential land to residential (expected to produce approximately 2,150 new dwelling units) and increased the density of another 76 acres of existing residentially designated land (expected to produce approximately 480 new dwelling units).

In 1986, Milpitas doubled the maximum density allowed in the "Multi-Family High" land use designation from 20 units to 40 units per gross acre. Projects approved in excess of 20 units per acre must be Planned Unit Developments and criteria must be met regarding sewer and water service, traffic, shadows, view obstruction and loss of privacy. As of December 1989, three residential projects, or 886 dwelling units, have been approved at the higher densities.

HOUSING PROGRAM EVALUATION

Community Development Block Grant

PROGRAM	PREDICTED	PERFORMANCE	COMMENTS
Housing rehab loans & grants to low & moderate households	50	25	Lack of applicants
Rental rehab loans	4 units	31 units	\$87,000 in loans \$60,000 in grants Urban County: \$14,000 in loans
Mobile home rehab	0	0	Program could not be implemented due to Federal guidelines
Housing for Independent People(rehab for disabled)	4	0	No applicants
Access California(rehab for low income disabled)	5	0	No applicants
CHEC(weatherization for low income households)	175	Unknown	Records not maintained by CHEC
Fair Housing Consortium	Continued provision of agency services & City participation in Urban County funding		On-going programs. Performance not readily quantifiable.
Shared Housing & Project Match	Continued provision of agency services & City participation in Urban County funding		On-going program. Performance not readily quantifiable.
Emergency Housing Consortium	Continued provision of agency services & City participation in Urban County funding		On-going program. Performance not readily quantifiable.
Jobs Bill	Selwyn Park improvements & street tree trimming	Improvements & trimming done	Federal program discontinued
Multi-Family Housing Bonds	Continued availability of \$30 million bond issue in Urban County	No applicants. Program ended in 1987.	Program discontinued.

More detailed descriptions regarding the programs listed above are included in Section 9 "Program Implementation". As indicated, the City continued to operate

HOUSING PROGRAM EVALUATION

existing block grant programs. The Rental Rehab program exceeded predicted goals exclusively due to the activity of Community Housing Developers, a private housing corporation. Though the housing rehab program for owner occupied properties only achieved 50% of its predicted performance, it did address a special need. Sixteen of the program's 25 clients (or 64%) were single women heads of households. Due to other agency actions (policies promulgated or program closings) and other circumstances beyond City control (lack of applicants due to market conditions for multi-family housing or in spite of aggressive marketing for the program) some program predictions were not entirely met.

In April 1989, the City Council also indicated their overall support of an eight unit "owner-built" or "self-help" single family project proposed by Community Housing Developers. The \$62,500 loan (acquired from the block grant funds available for housing rehab) was approved at a 3 percent interest rate and was contingent upon the non-profit housing corporation acquiring the property from Santa Clara County by December 31, 1989. Community Housing Developers, however, was not able to acquire the property (primarily due to the marketing strategy developed by the County) by the December 31st deadline. However, First San Jose Housing, another nonprofit housing development corporation, did submit a proposal to the County to develop the entire 15 acre site as self-help housing. They have proposed that \$150,000 of Urban County block grant funds and the \$62,500 of City CDBG funds, originally reserved for CHD's project, be reallocated to their project. They have also applied for another \$62,500 in City CDBG funds for the next fiscal year.

Redevelopment Agency

PROGRAM	PREDICTED	PERFORMANCE	COMMENTS
owner rehab	20 units	0	Funds used in other programs
rental rehab	10 units	0	
low & moderate new construction	75-100 units	150 rental units	Program exceeded goal
other projects	none	Four major projects related to neighborhood preservation	Program exceeded goal

Since fiscal year 1980-81 the Milpitas Redevelopment Agency has accrued a \$10.4 million set aside that has been earmarked for low and moderate income housing purposes, in accordance with State Redevelopment law. \$13 million has been obligated, exceeding the 20 percent set aside requirement. The principal

HOUSING PROGRAM EVALUATION

project using Redevelopment Agency funds was a 150 unit new construction project for seniors of lower and moderate incomes known as Terrace Gardens. Other projects using Redevelopment monies were intended to maintain and improve neighborhoods where low and moderate income housing is located thereby encouraging the preservation of the existing supply of low and moderate income housing (i.e., Sunnyhills street lighting improvements, Spence/Penitencia storm drain project and the acquisition and renovation of the Milpitas Sports Center).

Mortgage Revenue Bonds

Between 1985 and 1989 it is estimated that approximately 90 low and moderate homebuyers received mortgage financing assistance for new dwelling units in Milpitas. (An exact number of benefitting households could not be obtained from either the City's bond counsel or the residential developers themselves due to recordkeeping systems and research involved). Use of mortgage revenue bonds was dependent on changing enabling legislation and residential projects eligible and willing to participate in the program.

Housing Service Center

The Milpitas Housing Service Center has been primarily supported by block grant monies from the Urban County and the City and by the City general fund. The Center has provided full time counseling, education and referral services for housing related requests.

Community Assistance Program

During the past five years the City has continued to finance the Community Assistance Program from the general fund. The program's staffing was increased and was also augmented by seasonal workers and interns for special projects.

Other Programs

In April 1988 the City Fire Department initiated a multi-phased earthquake preparedness program. Phase one involves the distribution of 12,000 workbooks advising residents how to prepare for an earthquake, including improvements that could be made to a home to increase its safety and stability during a large quake. Fire Department personnel went door to door distributing the workbooks and making presentations to the individual homeowners. Approximately 10,000 books have been distributed thus far.

HOUSING PROGRAM IMPLEMENTATION

SECTION 9

HOUSING PROGRAM IMPLEMENTATION

OBJECTIVES

In accordance with State law, and as discussed in Section 3 "Needs Assessment", the Association of Bay Area Governments (ABAG) has estimated the need for additional housing in Milpitas.³⁵ As illustrated in Table 9, Milpitas will come very close (93%) to meeting ABAG's total projections (when alternative zoning is not factored in):

**TABLE 9
ABAG FAIR SHARE PROJECTIONS**

PLANNING PERIOD	PROJECTED NEED	ACTUAL/PROJECTED CONSTRUCTION (% OF PROJECTED NEED MET) ³⁶
1988-90	2,000	1,335 (67%)
1990-95	1,709	2,351 (138%)
1988-95	3,709	3,685 (99%)

ABAG considered standard factors such as population and employment, as well as the availability of suitable housing sites, to develop their housing need estimates. However, the California Attorney General ruled in 1987 that ABAG's (and other Councils of Governments) estimate of suitable housing sites "...must be considered based not only upon the existing zoning ordinances and land use restrictions of the locality, but also based upon the potential for increased residential development under alternative zoning ordinances and land use restrictions."³⁷ Thus ABAG also estimated housing need making assumptions that currently planned land uses and restrictions may change. Based on

³⁵ Government Code Section 65583

³⁶ Valley floor and hillside

³⁷ California Attorney General, Opinion #87-206

HOUSING PROGRAM IMPLEMENTATION

these assumptions ABAG estimated there will be a need for 5,638 new dwelling units by 1995, however, Milpitas estimates that it will achieve 65% or 3,662 new units under current planned land uses and regulations. The City has received inquiries concerning conversion to residential use on the commercial and industrial sites listed below and shown on Map 3.

- a. 400 acres at the northwest quadrant of SR-237 and I-880 and an indeterminate number of acres and parcels interspersed among existing and proposed industrial uses.
- b. 1 acre on the south side of Dixon Landing Rd., east of North Milpitas Blvd.
- c. 4 acres on the west side of N. Milpitas Blvd. south of Dixon Landing Rd.
- d. 2 acres on the east side of N. Milpitas Blvd., south of Washington Dr.
- e. 4 acres at the northeast corner of N. Milpitas Blvd. and Sunnyhills Ct.
- f. 13 acres at the northwest corner of Dixon Landing Rd. and Milmont Dr.
- g. 1 acre at the southeast quadrant of I-680 and Jacklin Rd.
- h. 2 acres on the south side of Dempsey Rd.
- i. 11 acres on the east side of Dempsey Rd. north of Landess Ave.
- j. 2 acres on the west side of S. Main St., north of Corning Ave.
- k. 2 acres on the east side of S. Main St., north of Montague Expressway

This list does not imply that these sites are particularly suitable for residential use or that other commercial/industrial sites, not included on this list, are unsuitable for residential use. If any of these sites (or other non-residential sites) were redesignated residential then Milpitas would improve its performance in providing additional needed housing.

As indicated in Section 5 "Housing Needs", ABAG has broken down the housing need identified in Table 9 by income categories. It is projected that Milpitas will meet the following income needs for the five year planning program:

TABLE 10

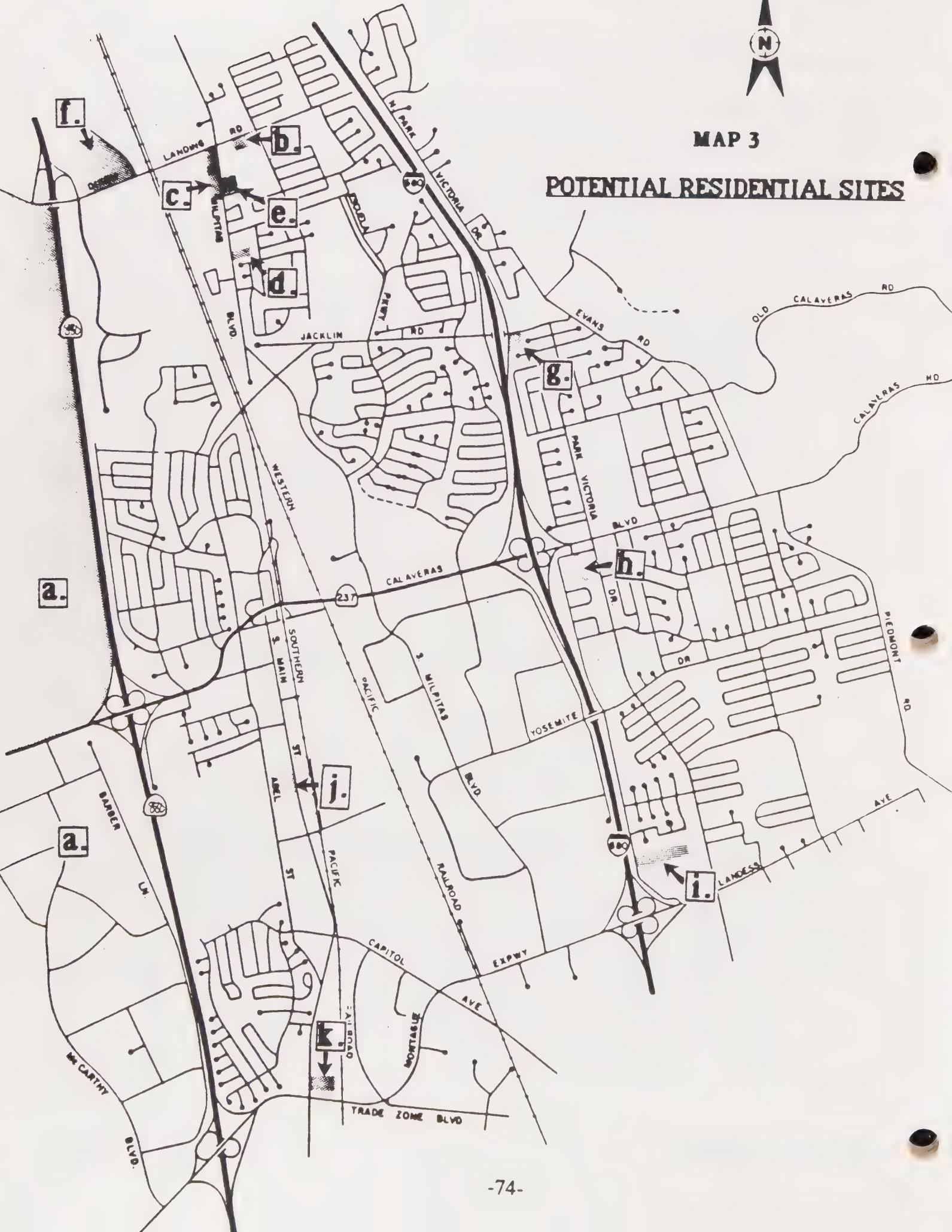
ABAG FAIR SHARE PROJECTIONS BY INCOME CATEGORIES 1988-95

INCOME CATEGORY	PROJECTED NEED (% OF TOTAL PROJECTED NEED)	ACTUAL/PROJECTED CONSTRUCTION (% OF PROJECTED NEED MET)
Very Low	631 (17%)	148 (23%)
Low	556 (15%)	401 (72%)
Moderate	816 (22%)	1,076 (132%)
Above Moderate	1,706 (46%)	2,060 (121%)
Total	3,709 (100%)	3,685 (99%)



MAP 3

POTENTIAL RESIDENTIAL SITES



HOUSING PROGRAM IMPLEMENTATION

Factors affecting Milpitas' achieving 100% of the regionally determined housing needs under the alternative zoning scenario include:

- The lack of available and affordable land for residential development.
- An unpredictable economy and housing market.
- Neighborhood concerns and opposition to new projects.
- Restrictions on property development (i.e., Williamson Act).
- Environmental conditions that would make the site unsuitable, or too expensive to develop, for residential or for housing affordable to lower income households.
- Restrictions related to and depending on available Federal and State programs and funding.
- Traffic congestion that is due to, and needs to be addressed, by policies and actions of agencies other than Milpitas

PROGRAMS AND FUNDING

Programs and funding sources that will contribute to housing assistance objectives and achievement of the five year goals are discussed in the remainder of the Housing Element.

Community Development Block Grant Funding (CDBG)

The City of Milpitas currently participates and receives funding as a member of the Urban County under the Federal Community Development Block Grant program. The Urban County is composed of eight cities in Santa Clara County with populations less than 50,000. In this capacity, Milpitas will continue to be involved in the following activities funded by Block Grant monies:

- 1) The Housing Rehabilitation Program provides low interest loans and grants to rehabilitate owner-occupied single-family homes throughout the City. Under the program, Milpitas expects to provide assistance to 30 low and moderate income households within the next five years.
- 2) The Rental Rehabilitation Program provides low interest loans to acquire and/or rehabilitate rental properties. Due to limited CDBG funds and lack of interest by the private sector, the City does not anticipate allocating funds for rental rehab. If more funds become available and the market changes to make participation in a public program attractive to private investors the City will reconsider the feasibility of funding the program.

HOUSING PROGRAM IMPLEMENTATION

- 3) Mobile Home Rehabilitation was a program previously adopted by the City. However, prior to the program's implementation, the Federal Department of Housing and Urban Development (HUD) ruled that only structures with permanent foundations were eligible for assistance using federal funds. Until that ruling is rescinded, Milpitas will be unable to provide rehabilitation assistance for mobile homes under the Block Grant program.
- 4) As a member of the Urban County, Milpitas participates in funding other programs related to the provision of housing. The amount and distribution of funding to these projects is dependent on Block Grant resources, individual program performance and future application submittals. Some of the programs currently receiving financial assistance from the Urban County include:
- a) The Fair Housing Consortium, composed of six non-profit agencies that provide a variety of assistance relating to equal housing opportunities. The services provided by the following agencies are not conducive to quantification of five year objectives:
1. Milpitas-San Jose Housing Service Center
 2. Disability Law Center
 3. Asian Law Alliance
 4. Operation Sentinel
 5. Mental Health Advocacy
 6. Mid-Peninsula Citizens for Fair Housing
- b) (1) Shared Housing and Project Match, are two non-profit agencies that provide assistance in establishing shared living arrangements. (2) Housing for Independent People and Access California, are non-profit programs that develop and rehabilitate housing for disabled individuals. The Citizens Home Energy Conservation Program (CHEC), is a program that provides weatherization services for low income owner- or renter-occupied housing units. Due to the small number of potential clients, and the specificity of the service provided by the above-listed agencies, an estimate of the number of Milpitas households that will receive assistance by 1995 cannot be anticipated.
- c.) The Emergency Housing Consortium, non-profit agencies that provides housing on a temporary basis to the homeless or those in need of emergency transitional housing in Santa Clara County.

HOUSING PROGRAM IMPLEMENTATION

Mortgage Revenue Bonds

Milpitas has provided for the issuance of mortgage revenue bond funding as allowed under State and Federal law. (Also see Section 8 "Program Performance"). The tax-exempt bonds provide mortgage financing assistance for low and moderate income home buyers (less than 150% of County median income) of approved new housing projects. Further use of mortgage revenue bonds is contingent on State and Federal lawmakers continuing to provide enabling legislation. The City will continue to encourage housing developers to use mortgage revenue bonds whenever feasible.

Milpitas Housing Service Center

The Milpitas Housing Service Center operates an office within the City and provides tenant/landlord counseling, legal services, housing discrimination assistance and default and foreclosure counseling. The Housing Service Center also receives support monies from the City's Human Services Fund and from CDBG funding from the Urban County, of which Milpitas is a member. It is anticipated that the Housing Service Center will continue its present mode of operation and receive funding for its services from the City through 1995.

Santa Clara County Housing Authority

In addition to the previously discussed housing programs and services funded by the City from a variety of sources, Milpitas identifies and refers those individuals needing assistance to the Santa Clara County Housing Authority. The Housing Authority administers a variety of programs under Federal funding. The Moderate Rehabilitation Program, for instance, provides financial assistance to rehabilitate rental properties, provides Section 8 rent supplements and rental credit certificates to the low income occupants. The Moderate Rehabilitation Program has been used previously in Milpitas in conjunction with the City administered Rental Rehabilitation Program. The County Housing Authority also administers the Federal Section 8 Rent Subsidy Program and rental credit certificates for low income households in Milpitas.

Redevelopment Agency

As discussed in Section 8, Redevelopment fund obligations exceed the required 20% low and moderate income housing set aside. It is anticipated that existing programs will use the 20 percent obligation and that no unused funds will be available for new programs for the next five years.

HOUSING PROGRAM IMPLEMENTATION

Other Programs and Legislation

Following are other existing programs, legislation and policies that are funded by Milpitas or provide on-going regulatory concessions or incentives to assist in the development of low and moderate income housing.

1. Community Assistance Program. The City expects to continue maintaining an existing Community Assistance Program through 1995. The program responds to complaints and will refer to the Police Department for citation, if necessary, for code non-compliance (i.e., junk cars, animal ordinance, zoning violations, etc.). The service, including staff and transportation, is financed from the City general fund.
2. Condominium conversions (Section XI-10-7.14). Conversions of apartments to condominiums are regulated through this ordinance and are not allowed to take place unless two-thirds of the units of the complex agree in writing to the conversion and the local apartment vacancy rate exceeds 6 percent. This ordinance helps reserve the existing rental stock in the City which provides a large share of housing for low and moderate income households.
3. Accessory units in "R1" districts (Section XI-10-4.04-4). The City allows a second family unit on a lot zoned "R1" Single-Family Residential subject to specific criteria. This ordinance provides homeowners with the ability to convert and rent out a portion of their home as a second unit providing an affordable housing source for low and moderate income individuals.
4. Manufactured housing in residential districts (Section XI-10-54.14). The City recognizes that mobile homes can be a source of affordable housing for lower income households and through this ordinance allows mobile homes on lots zoned "R1" Single-Family Residential or "AR" Agricultural Residential.
5. "R1-2.5" Zoning District - Under the land use designation of Single-Family Moderate, four different zoning districts are allowed with minimum lot sizes ranging from 2,500 sq. ft. to 5,000 sq. ft. However, the district that allows the highest and most desirable density (from a developer's point of view) is the "R1-2.5" district permitting up to 15 units to the gross acre. This zoning is only

HOUSING PROGRAM IMPLEMENTATION

allowed by the City if certain criteria are met, one of which requires the applicant to demonstrate that the higher density will result in a more affordable housing project.

6. Mortgage Credit Certificates - Mortgage Credit Certificates (MCC) were created by the federal government but is a locally run program to assist first-time homebuyers in qualifying for mortgages. The IRS allows eligible homebuyers with an MCC to take 20% of their annual mortgage interest as a dollar-for-dollar tax credit against their federal personal income tax. This enables first-time buyers to qualify for a larger mortgage than otherwise possible, and thus can bring homeownership within their reach. In 1987, the Urban County established an MCC program that has assisted 190 low and moderate-income first time Milpitas homebuyers to qualify for a mortgage. Another \$1,327,387 in allocations (or about 60 certificates) remain to be used under the current issue.

7. The State regulates the placement of "half-way houses" to provide group living arrangements in a residential setting. Milpitas expects to maintain its existing population of thirteen group homes for seniors, teenagers, and the mentally disabled. Though no known studies have been performed it is assumed that the majority of these individuals living in half-way houses are low income.

8. Under Government Code SS 65915-65918 the State requires the City to provide a density bonus if a developer agrees to construct at least 25% of the units in a project affordable to low and moderate income households, or 10% for low income households. The bonus means a minimum 25% density increase over the otherwise allowable density or other types of bonuses of equivalent financial value.

9. In June 1988, the City Council adopted the "Conversion of Mobile Home Parks To Other Uses" ordinance (Title XI, Chapter 20). The regulations are intended to protect the City's existing mobile home park stock which is recognized as an important contributor to the City's local low and moderate income housing supply. The ordinance specifies the requirements for converting a mobile home park to another use. Particularly intended to protect the residents, the regulations require the developer to prepare a conversion impact report which

HOUSING PROGRAM IMPLEMENTATION

would include a relocation plan. The developer would also be required to provide a housing allowance and to bear the relocation costs of each mobile home and its owners.

Potential Housing Programs

As staffing and funding allows, the City will continue to investigate alternative housing programs and funding.

Energy Conservation Opportunities

The cost of energy can be a significant factor contributing to shelter expenses. The cost of heating and operating a home can also be expected to continue increasing in the years to come. Milpitas is addressing the following strategies to provide energy conservation opportunities:

- 1) Weatherization (insulation, weatherstripping, etc.) is a home improvement that can be undertaken in the Housing Rehabilitation Program.
- 2) Where appropriate, low-income households can be referred to Citizens Home Energy Conservation Program (CHEC) for home weatherization improvements or to the Salvation Army for emergency assistance with utility bills.
- 3) Referrals can be made to PG&E for their various energy conservation programs including Zero Interest Loans for weatherization home improvements.
- 4) A 50 percent discount for Milpitas water customers over 62 years old is available.
- 5) California a Title 24 Building Standards establishing energy conservation standards for new construction will continue to be enforced.

HOUSING PROGRAM IMPLEMENTATION

Five Year Housing Program Schedule

Following is a matrix clarifying the major activity areas under Milpitas' five year housing program (1990-1995):

FIVE YEAR HOUSING PROGRAM SCHEDULE

Program	Time Frame	Funding	Responsible Agency
1. Housing Rehabilitation	Ongoing	CDBG	City
2. Rental Rehabilitation	Ongoing	CDBG	City & Urban County
3. Moderate Rental Rehabilitation	Ongoing	Housing Authority	City & Housing Authority
4. Mortgage Revenue Bonds	Ongoing	Bond Issue	City & Applicant
5. Mortgage Credit Certificates	Ongoing	Federal Income Tax Credits	City & Urban County
6. Milpitas Housing Service Center	Ongoing	CDBG & General Fund	City & Urban County
7. Various housing related agencies	Ongoing	CDBG	Urban County
8. Housing Weatherization	Ongoing	Partial CDBG	CHEC*
9. Community Assistance Program	Ongoing	General Fund	City

*Citizens Home Energy Conservation program

U.C. BERKELEY LIBRARIES



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